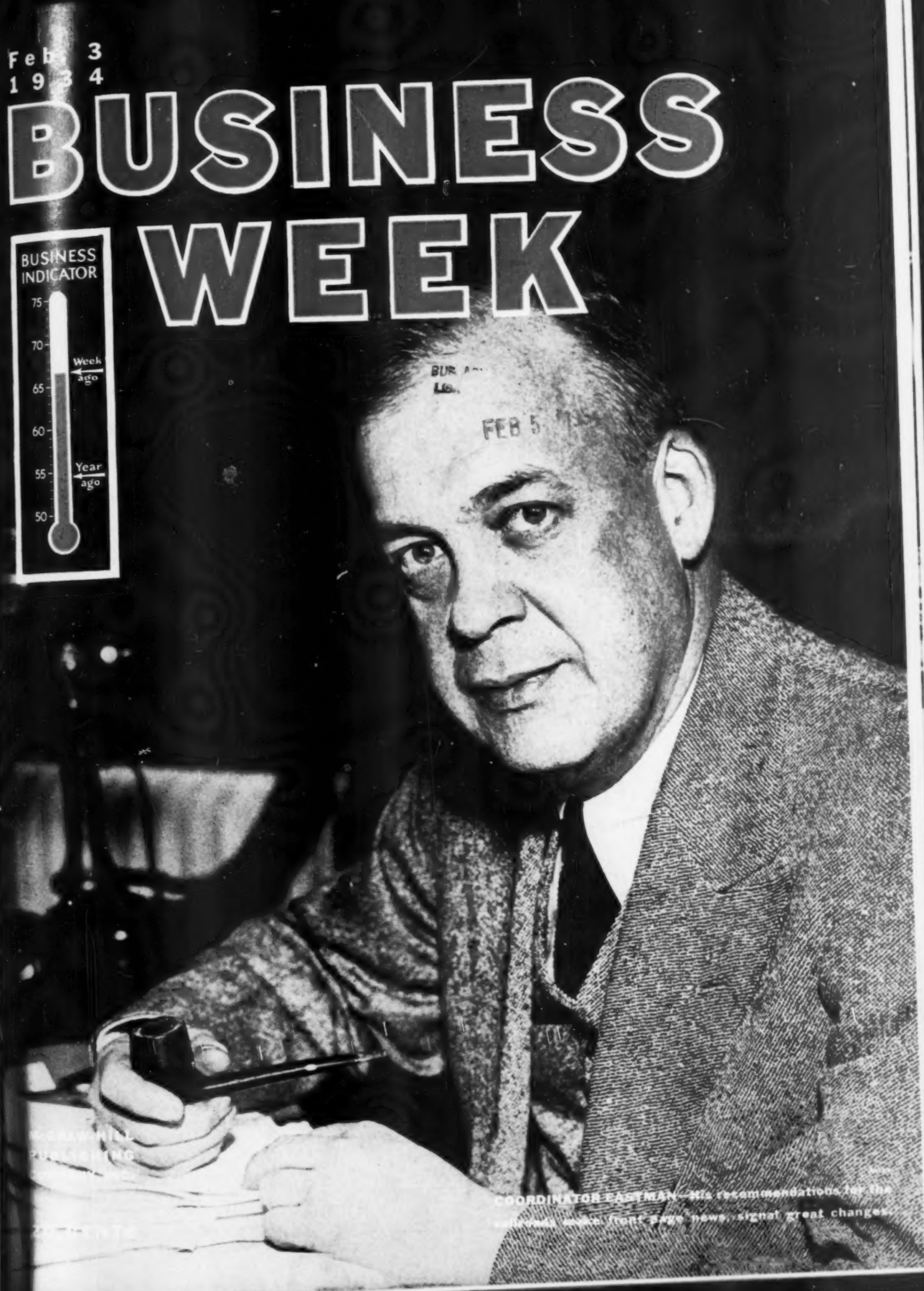
Feb 3
1934

BUSINESS WEEK



COORDINATOR EASTMAN—His recommendations for the railroads make front page news, signal great changes.

"YELLOW" the Light Thief BANISHED AT ITS SOURCE

ALL white paints are nice and white when they've first been painted on your plant ceilings and walls. But how long will they stay that way? How long before they become dingy . . . turn *yellow? That's* the question!

The answer will either cost or save you money. If the paint turns yellow—reflected light is diminished, plant efficiency suffers, production costs go up. And your *only* remedy will be an expensive repaint job.

Make sure the paint you buy will remain bright, white, year after year. Specify Interior Barreled Sunlight. It's made by the noted "Rice Process"—a process that banishes yellow at its linseed oil source.

Not a "Bleach"

Refined linseed oil, as shown in the upper tube at the left—is yellow in color. Bleaching will whiten it only temporarily. The most careful bleaching won't prevent this yellow from spreading sooner or later over ceilings and walls.

"Yellow" removed by the Rice Process, as indicated in the lower tube, on the other hand, is definitely *out!* You may be certain that white paint made with Rice Processed linseed oil stands little chance of becoming yellow upon your ceilings and walls. You may be sure that Interior Barreled Sunlight, the Rice Process White, will remain white longer than any other oil-gloss paint or enamel, domestic or foreign. The statement below is your surety of this.

It will not be long before present low paint and labor costs will rise. Save money by painting up with Interior Barreled Sunlight *now!*

For more detailed information, write for the booklet, "More Light with Lasting Cleanliness." Address U. S. Gutta Percha Paint Company, 1-B Dudley Street, Providence, R. I. Branches or distributors in all principal cities. (For Pacific Coast, W. P. Fuller & Co.)

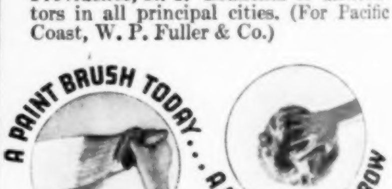
THE UPPER VIAL contains refined linseed oil commonly used in white oil paints. This yellow color disappears when the oil is mixed with white pigments. But it is still there . . . sooner or later to appear upon your ceilings and walls!

• • •

THE SAME OIL treated by the "Rice Process" appears as shown in the lower vial. The Rice Process not only removes "yellow," but also gives Interior Barreled Sunlight its remarkable hiding power and ease of flow.

YOUR SURETY

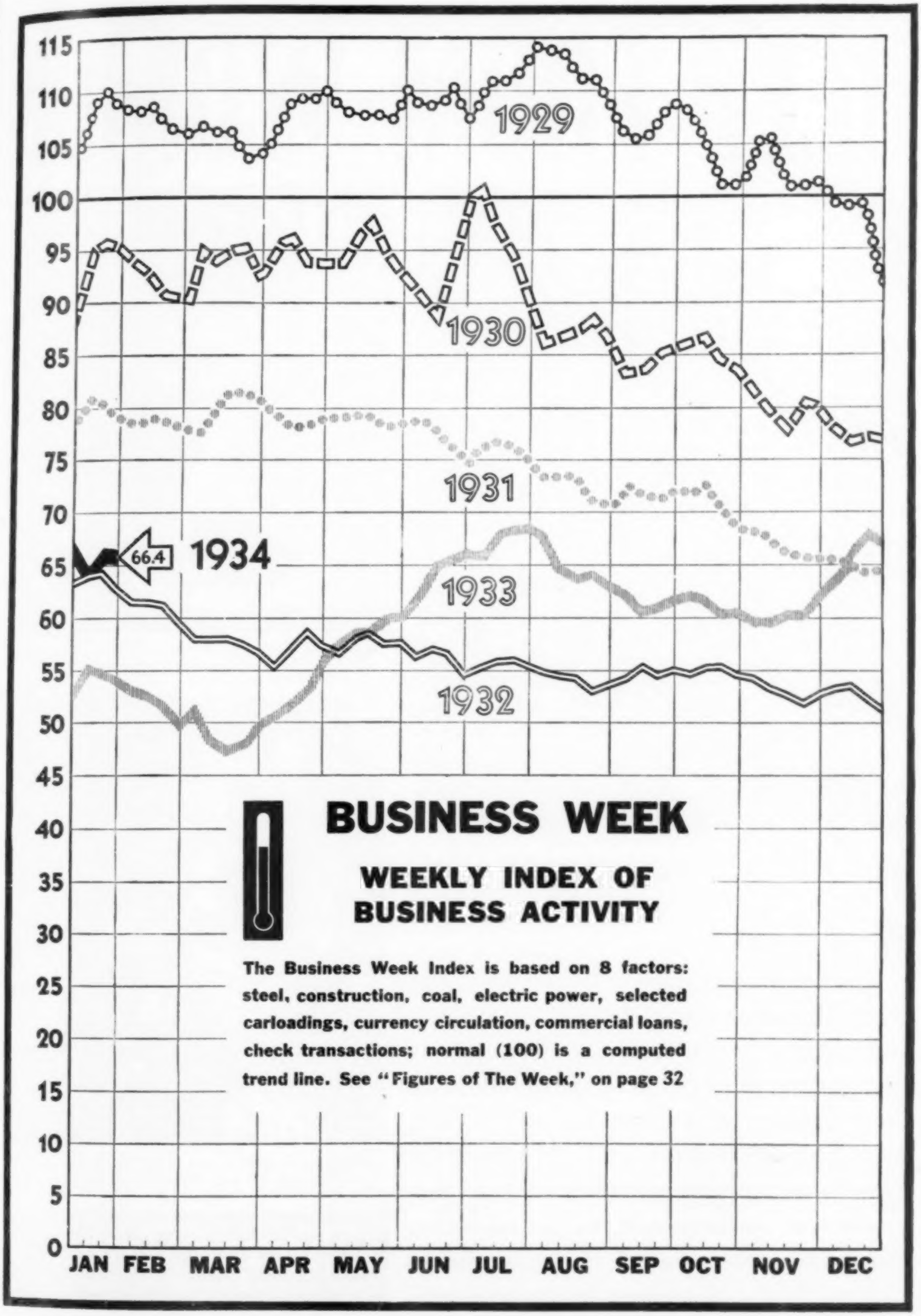
We maintain that Interior Barreled Sunlight, the "Rice Process" White, will remain white longer than any oil-gloss paint or enamel, domestic or foreign, applied under the same normal service conditions and according to our specifications. If it does not do so, we will give, free, enough Barreled Sunlight to repaint the job.



A PLANT PAINTED with Barreled Sunlight spends little money on maintenance. This amazingly smooth, non-porous white paint resists dirt . . . is as easy to wash as tile. Soap and water carry on the job of maintenance. And there's no need to repaint to overcome dingy yellowed ceilings and walls. Barreled Sunlight remains cleaner, whiter, year after year.

BUSINESS WEEK (with which is combined The Magazine of Business) February 3, 1934, No. 231. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; B. R. Putnam, Secretary. $5.00 per year, in U.S.A. and possessions. 30 Shillings per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.

Printed by The Schweinler Press, N. Y.


BUSINESS WEEK
WEEKLY INDEX OF BUSINESS ACTIVITY
The Business Week Index is based on 8 factors: steel, construction, coal, electric power, selected carloadings, currency circulation, commercial loans, check transactions; normal (100) is a computed trend line. See "Figures of The Week," on page 32
1929
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HELP FROM WOMEN

IN 1933, CHICAGO DEPARTMENT STORES as a group placed 341,889 *more* lines of advertising in the Tribune than in any other Chicago paper.

WOMEN'S WEAR DEPARTMENTS of Loop department stores ran 725,183 *more* lines in the Tribune in 1933 than in any other Chicago newspaper.

UPSTAIRS DEPARTMENTS of Loop department stores ran 1,281,602 *more* lines in the Tribune in 1933 than in any other Chicago newspaper.

★ The women of Chicago have made it easy to buy newspaper space in this market. Their decided preference for Chicago Tribune news and features makes this newspaper the foremost women's medium in metropolitan Chicago. Every measure of this preference—circulation figures, impartial reader-interest surveys, the advertising practice of department stores—proves that the Tribune is the overwhelming choice of Chicago women. A Tribune representative will be glad to give you the complete facts.

Chicago Tribune

THE WORLD'S GREATEST NEWSPAPER

The Business Outlook

WHILE Washington was enacting the most important legislation of the generation and writing a new price ticket for the dollar, business was trying to keep its mind on first-quarter volume. Commodity and security prices responded vigorously to the promise and the fact of devaluation. Cautious buyers, at last convinced that credit inflation would boom prices, loosened their purse strings.

Last year's earnings records, now coming to light, show encouraging gains over 1932, though many an industry (notably steel) was able to do little more than cut down losses.

Steel activity is resuming its advance, though motor makers are not yet ready to purchase in any considerable volume. Price dissatisfaction is cropping up among steel consumers, and proving very annoying to an industry which believed that the code regulations were the answer to the price problem.

Retail Sales Up

Thanks to cold weather, which is aiding the clearance of winter goods before the premature Easter holidays, and to liquor, retail sales are still making headway. Trade experts are venturing to forecast January results 9% to 35% above a year ago. So far the New York metropolitan area is running about 8% better than last year; minus liquor sales, 5% better. Mail order buyers will find the new spring and summer catalogue prices stepped up compared with the midwinter flyer—a broad hint to all retail consumers of the future price trend.

Detroit Protests Steel Prices

Whatever the new front-end wheel suspensions may mean to motor comfort, producers are finding that they add heavily to costs. And in an industry where pennies count, the additional expense is nettling executives. Perhaps this situation is proving the last straw to the pile of complaints against steel prices. Ford was the first in the field to voice his objections, and fired up his own steel furnaces. Now General Motors is threatening to rebel. Steel orders are being parcelled out among small mills. Negotiations looking to the acquisition of a steel plant have been opened. Opposition to advances of stainless steel prices culminated in threats to turn back to chromium plating. Whether the growing resentment will check a contemplated increase in sheet steel remains to be seen. If it does, it will have served some purpose.

Motor manufacturers are not alone in expressing resentment to rising steel costs. Other consumers are opposing the system established by the code, which provides uniform prices for all producers in the same consuming center; large users feel they are entitled to a lower price than small consumers.

Automobile Backlog

Meanwhile orders for cars are piling up and production is but slowly accelerating to supply the demand. Shows are drawing to a close, and eyes are turning to the assembly line. January may turn out 125,000 cars. February is set at 200,000. Employment in Detroit reached 75.1 in mid-January against 52.1 a month earlier. General Motors staffs are the highest since 1930. Parts makers are being rushed. Time, not price, at this moment is of the essence. Premiums are being offered to shops that can guarantee quick delivery. Twenty-four hours a day, including Saturdays and Sundays, are not uncommon. There is a welcome sign for the skilled workers who drifted away in the lean years.

Raising Buying Power

In the midst of the commotion about rising costs, the tire industry comes forward with a 10% increase for its factory workers, which in some instances is the third since last June. Typewriter concerns recently announced wage increases. A more general trend of this nature should allay fears of curtailed purchasing power when CWA funds peter out, but there is still a sad surplus of unemployed.

Railroad Improvement

Railroad traffic is holding up surprisingly well. A small gain during the week ended Jan. 20 was achieved in spite of the sharp drop in coal loadings. The first 71 roads to report December earnings made a 15% increase in net compared with a year ago. An unusual improvement over November was also scored.

The slump in railroad activity is pointedly illustrated by the addition of a single locomotive to active service in 1933 compared with 37 in 1932; the laying of but 24 miles of new track, the least for any year since the Civil War; and expenditures for maintenance of ways and structures of some $325 millions, the lowest since 1911. Steel concerns are still fretting that 1934 purchases are being delayed as long as possible.

Tool Builders Happier

Machine tool builders are examining the steep upward slope of their orders curve with satisfaction. The March valley was certainly close to the vanishing point. December's abrupt finish reflected the active buying of foreign consumers, who accounted for more than half the orders booked. Chart readers attach special significance to this year-end rise, pointing out that in 5 of the past 13 years a December upturn carried forward to the spring months. Motor, refrigerator, and washing-machine concerns were active revampers of their equipment set-up in 1933.

Construction Slower

Construction contracts aren't flowing as freely as in December, though the spread over 1933 is still ample. Non-residential awards aggregate $43.4 millions through Jan. 22, which is 51% better than the whole month of January, 1933. There is a chance that at least this classification, which represents predominantly private work, will exceed last month's volume of $50 millions.

Not as much can be said for residential activity, which ordinarily suffers cold weather contraction. But, judging from the efforts being made to gain the ear of Mr. Ickes, there is no dearth of interest in the modernization of old homes and the construction of new ones. January's total for 3 weeks is $11.2 millions, less than half that of December and 6% below a year ago.

Public Works Peak Passed?

Public projects still carry the major weight of construction activity, with $91.9 millions rolled up to date out of a total of $146.5 millions. This is more than 115% greater than the whole of January, 1933, but a goodly rate will have to accumulate in the last 8 days of January to permit this group to better the 1933 peak month of December.

Coal, Power Declines Seasonal

Coal production ordinarily declines in the first quarter, though both 1932 and 1933 witnessed brief periods of unusual gains.

Power production continues to decline, though maintaining a 9.6% margin over a year ago. The phenomenon is strictly seasonal.

Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—What happens now to the dollar depends on other countries, particularly Britain. The President hopes the 59.06 level he set Wednesday will hold; hopes he will not have to do anything further. But the power to cut to 50 still is there; he expressly referred to it in his proclamation; it will be used if necessary. It shouldn't be necessary unless Britain aggressively attempts to push the dollar up.

Maneuvers will be secret from now on, we juggling the $2-billion stabilization fund and Britain maneuvering with what is left of its £350-million fund. Fear of this need not interfere with business contracts. The whole attempt on our part will be to keep the boat steady, not to rock it.

The biggest problem will be the inrush of dollars from overseas. We are back on a gold standard at a level which will tend to draw gold here from all over the world. What to do about that? A great influx will boost dollar exchange, depress dollar prices. Other countries will try to defend their gold reserves. A job for the stabilizer.

> ***THIS WEEK***
>
> ***Secretary Wallace's idea of how much a milkman should be paid.***
>
> ***How everybody helped the Navy — the Japanese, the CWA, and Congress.***
>
> ***Flattery to labor and an ingenious compromise bring peace and success in the long negotiations over the construction code.***

Construction Code

The construction industry's "code that came back" was signed by the President this week. It included a new provision that gives the trade unions a chance to put their feet under the table, not of the Code Authority, but of a National Construction Planning and Adjustment Board.

With consent of employers and employees, this board may render decisions in controversies over wages, hours, and working conditions. President Roosevelt may discover he has sponsored a League of Nations, but labor was flattered by his intervention.

Apparently labor is mollified after holding out for months for representation on the Code Authority.

This is really chapter one or the "Master Code" of the construction industry, and will be followed from the printer by 25 other chapters.

Code by Consent

Subject to more mutual consenting, employers and employees in any one division of the industry — painters, plasterers, plumbers, what-not—may reduce the maximum of 40 hours per week stipulated by the code for the purpose of sharing available work. If agreement cannot be reached on shortening hours without undue hardship on either employers or employees, the issue may be referred, again by mutual consent, to the joint board. Flat minimum wage for common labor on construction throughout the country becomes 40c. an hour in lieu of the code's original provision for a lower rate.

War Scare Benefits Navy

Everything worked together for the Navy. First there was the war scare in the Far East. This was not an accident. A great deal of careful work was done in promoting this idea, Japanese admirals cooperating heartily as pinch of taxes threatened their budgets. Then there was an underlying fear on Capitol Hill that discontinuance of CWA might check the recovery tide.

So, despite peace propaganda, the House appropriates **$475** millions for 102 ships, 1,184 airplanes.

William B. Shearer, self-acclaimed Navy conference buster, is smiling triumphantly, but this was one case where lobbying was not important enough even to be irritating.

Crackdown on Milk Sellers

Secretary Wallace revealed figures in his Madison speech Wednesday, showed 31% profit to distributors in Philadelphia, 26% in Chicago. The Secretary says he has no intention to start now "baiting the middleman," but in reaching the new official figures on distribution profits, he computes the salaries of milk company presidents at $20,000, other salaries in proportion, which is much less than they had been getting. The squeeze on distribution costs is not letting up at AAA, even if retail price-fixing is being abandoned.

Dickinson's Star Rising

The Stock Exchange report, submitted without comment by the President to the Senate, is a powerful lever for sane and constructive legislation on a much confused issue. It is to be followed by a similarly sane and sound report on securities selling and the Securities Act, where business thinks something must be done this session. Both are under the direction of John Dickinson, Assistant Secretary of Commerce, able business lawyer. His influence in Washington is growing.

Code Compliance

The profit motive in business is not going to be eliminated, Secretary Roper told 48 NRA state compliance directors. The government is priming the pump, he said, but business will have to do the pumping. Future profits had better be diverted more largely into wages and less into expansion. General Johnson, at the same meeting, said 95% of industry would be codified in 60 to 90 days.

The compliance directors showed a healthy desire to get under the load; it began to look as if the compliance setup might work.

Works, Not Words

Stimulation of the heavy industries gets out of the conversational stage as expenditure of the $77-million Public Works loan for Pennsylvania Railroad electrification begins this week. This is the start of the flow from the federal Treasury of $200 millions allotted for loans to 18 railroads. This not only means millions of man hours of employment, but also a market for a wide range of materials that enter into construction of freight cars and electric locomotives and that are used in railroad maintenance.

High Hat Walter

Seldom has any public figure been more inaccurately appraised than it now develops was Walter Brown, Hoover's postmaster general. Washington thought him very smart, cagey.

Then he admitted buying a special car with government funds to get a ceiling high enough for his top hat.

Now is revealed futile burning of letters, and a secret partnership in a brokerage account trading in International Mercantile Marine. Washington is not half so much interested in his guilt or innocence as in amazing revelations of his versatility in maladroitness.

$18,000 Annual Return From $16,000 Investment

CONVINCED that there must be worthwhile opportunities for profitable modernization in their plant, the officials of the Oregon Pulp and Paper Company, Salem, Oregon, decided to conduct a careful search.

As a result, they found that their demand for drying steam on four of their paper machines could be better supplied, and that their power demand could be substantially reduced, if G-E turbines were coupled to their motor-generator sets. This was done, and the savings paid for the new equipment in the first ten months of operation. The continuing annual savings of $18,000 now add to net profits.

Thus, the advantages of seeking changes which lead to improved operation and reduced costs are being concretely shown on the balance sheets of this alert paper manufacturer.

The opportunities for gains exist in nearly every plant. They are not obvious—they must be found.

It will pay you to look for them and to encourage your employees to suggest possible savings, whether they amount to a few hundreds or many thousands of dollars. Why not start a NEW search to-day? G-E sales engineers will be glad to help you with your problems of electrical modernization. General Electric, Schenectady, N. Y.

When you operate obsolete equipment, you pay for modernization without getting it. The right kind of modernization pays for itself and then adds to profits.

008-2

GENERAL ELECTRIC

BUSINESS WEEK

FEBRUARY 3, 1934

Devaluation—First Shot

If the dollar can't be held down to its new gold value—against the upward tug of foreign investments, for instance—it can be dropped to still lower levels.

The President moved swiftly to devalue the dollar. Hardly 24 hours had elapsed from the time he signed the Gold Reserve Bill before he exercised the powers that Act conferred upon him. Specifically he proclaimed that our currency standard would hereafter contain 15 5/21 grains of gold 9/10 fine. And by so proclaiming, he reduced the weight of gold in the dollar to but 59.06% of its former legal content. Of course, for the past two weeks the RFC gold buying price had set the gold value of the dollar at 60¢ and the price has been scarcely any higher since the beginning of December. So the drop was small, just barely sufficient to carry it below the upper limit of 60¢ imposed by Congress.

But the proclamation was far more than a slight marking down of the value of the dollar. It was an opportunity for the President to advertise with a clearness and a definiteness impossible before that inflation is really here, that the new deal is going to be played with smaller dollars and that any return to the dollar of historic bulk is unthinkable. Surely now the country will begin to differentiate between the new dollar and the old. Surely now people will demand more for the things that they sell and bring prices nearer to the parity that the President had promised them. That's the idea. It seems logical—and yet the old idea that a dollar is a dollar dies hard. It is for this reason that the President has served notice that all the shots in his locker have not yet been fired.

"Notice is hereby given that I reserve the right by virtue of the authority vested in me to alter or modify this proclamation as the interest of the United States may seem to require" means that we have not acquired a new and permanent gold standard. Rather it is a temporary one that we hope to keep for so long as possible but which we will quickly change in case of need. Should price deflation again put in an appearance and threaten the benefits of inflation, further cutting of the dollar would become imperative. And the cutting can continue until the lower limit of 50¢ permitted in the original Thomas Amendment is reached. But a far more likely troublemaker than domestic deflation is a great influx of foreign capital forcing exchange rates for the dollar up out of control. It is quite possible that at 59.06¢ the dollar is undervalued. In internal purchasing power, it is worth nearer 80¢ and, if purchases are confined to necessities, probably more than that. This is too good a bargain for foreigners to miss and their scramble for dollars will be bound to make quotations buoyant. To parry such an attack we have the none-too-large stabilization fund by which we will try to see that a supply of dollars is always available at or near the 59.06 figure. That is our first line of defense.

A second line can be set up by rumors of fresh inflation—a method frequently used in the past to scare off buying from abroad. If the managers of the stabilization fund feel at any time that their control of the exchange market is slipping, stories of greenbacks or free silver

International News

A PRESENT TO THE PRESIDENT—On his fifty-second birthday, President Roosevelt signs the Gold Reserve Act of 1934, which perhaps overshadows in importance even the Recovery Act. Gathered around him, left to right, are Herman Oliphant, of the Treasury; Secretary of the Treasury Morgenthau; Governor Black, of the Federal Reserve; Prof. George F. Warren, monetary minister without portfolio; Governor Harrison, of the New York Federal Reserve; and Prof. James Harvey Rogers, monetary adviser.

may be expected. And then, if all else fails, one or two cents will be clipped from the gold value—just to prove to these foreigners that hereafter the management of our currency will be by and for Americans.

Paralleling the President's proclamation came an announcement by Secretary of the Treasury Morgenthau which, in effect, puts the United States on a gold bullion basis internationally. Gold will be sold abroad, should exchange rates ever reach the gold export point, and purchases will be continued as before through the Federal Reserve Bank of New York as fiscal agent of the Treasury. Further, gold mined in this country and certain types of scrap gold will be purchased by the mints at the fixed rate of $35 per troy ounce, less the usual mint charges. But there is no comfort for hoarders in the announcement. Coins or other gold held in defiance of the orders to turn all such gold items over to the Treasury will not be purchased. And gold notes and government bonds, even though they contain a specific promise to pay in gold of equal weight and fineness, have not in any way been increased above their face value.


DEPUTY HARRIMAN—The chairman of Illinois Central and Union Pacific takes over Malcolm Muir's job as divisional administrator of NRA.

Steel Finds Out

Codes make a difference, as proved by the importance of code questions in the steel industry.

GETTING under a code is like being born again—and steel men are finding this out. Anybody who has missed the fact that the President's signature on his industry's code is likely to affect his whole future had better check up with them. They are already beginning to see changes and to foresee many more.

Most impressive recent evidence of this comes with the news that General Motors has been dickering for a 2-year option on the Cleveland plant of Corrigan-McKinney Steel Co., and on the Newton Falls, O., and Monroe, Mich., plants of the affiliated Newton Steel Co. If the deal fell through, the incentive hasn't changed; it's the code, says the steel industry. If negotiations are reopened later, as expected, it will be because the code's one-price basis and certain other restrictions have persuaded GM that the next 2 years may show automobile manufacturers the desirability of making their own steel. Unless steel men decide that GM isn't really bluffing and persuade the government to change the code.

Open-Price Plan

Right now, Walter S. Tower, executive secretary of the American Iron & Steel Institute, is proclaiming that a survey of code results shows that its most important feature has been its open-price provision. Whenever a mill wants to change the price of a steel item, it must file a 10-day notice with the Institute which, in turn, notifies every other mill. This does away with secret price concessions. It has eliminated from the selling of steel what Eugene G. Grace, Bethlehem's president, colorfully calls "all the confusion of selling rugs in a Turkish street fair." It is also wiping out the practice of contracting for steel for 3-month periods.

But it doesn't sit so well with the automobile makers. They take credit for starting steel on the 1933 recovery and for justifying steel's bright hopes for 1934. Why shouldn't they be favored, they ask, especially when they furnish the mills with large orders for one size of one item that can be rolled at least cost? And some of the anxious steel men themselves echo, "Why not?" —particularly since GM has been "educating" the big companies and discouraging a price rise by spreading its orders over a number of small mills.

Prices crop out all through the code discussions. Like other code-makers, steel men feel that, so far, labor and the consumer have been the chief beneficiaries. Hence there is much talk and a strong possibility of a second-quarter advance in prices, especially in flat-rolled products. If the plan of the large sheet-makers goes through, hot-rolled grades will be increased $2 and $3 a ton, the higher-finished grades (cold-rolled) $5.

For a Price Boost

Here's the argument: Last April, when prices were at rock-bottom—and steel men were saying that they were doormats for automobile purchasing agents—the industry was losing several dollars a ton, particularly on cold-rolled stock. Since then, quotations have gone up about $10 a ton. But costs have risen $11 ($4 for labor, $7 for materials), partly under code pressure, and the mills are back where they were 10 months ago. Increased volume won't help much. Between 10,000 tons and 25,000, the cut in overhead won't be enough to offset other heavy costs.

The other side says that it will pay to help to hold down retail automobile prices; that the industry hasn't yet had a chance to show what it can do in the way of earnings; that mills are only now beginning to feel the effects of last year's price advances; that the past 4 months' operations on a restricted basis didn't offer a fair test. Wait and see—at least until operations rise to the 50% or 60% that seems assured in the next 30 or 40 days.

And both sides are keenly aware that Washington is ready to "crack down" on dubiously supported advances.

So increases, if made, will be as small as possible, sharpest on light-gauge, high-finished sheets requiring more labor than other products, tapering off, perhaps to zero, on the heavier items.

Meanwhile, the code is reviving the pre-depression talk of changes in the steel line-up. With price-cutting out, the small producer has a better chance to make a showing and he's taking advantage of it. Sales arguments turn to quality, convenience of delivery, and other services to the consumer. Many a company is mulling over shifts in production and tie-ups with other concerns to get a better hand in the new deal.

Republic Sets an Example

Republic Steel's acquisition of control of Gulf States Steel through purchase of 15,909 common shares is an indication that the big companies are beginning to think in terms of extending their influence. Under the working agreement which may eventually take it directly into Republic's fold, Gulf States will install equipment to make electric welded pipe at its Alabama mills, thereby becoming the nearest pipe mill to the lucrative Southwestern oil fields.

One of the properties in Cyrus Eaton's program for Republic's expansion, it now makes hot-rolled items, including wire rods, bars, and wire products, has a capacity of 200,000 tons annually.

Diversification Moves

While the code specifically prohibits building of new raw steel capacity without Presidential sanction, it places no restriction on a company's diversification of its facilities for making finished steel. Signs point to capital expenditures for this purpose. Youngstown Sheet & Tube is installing equipment to make railroad spikes at its Struthers, O., mill, will add machinery at its Brier Hill (Youngstown) plant to build 2- to 8-inch electric welded pipe, has a program for rearranging its universal plate mill at Indiana Harbor, Ind. Wheeling Steel has awarded a contract for a continuous strip mill at its Yorkville, O., plant.

American Rolling Mill Co. has rounded out its holdings in the Ashland, Ky., district by purchase at a receiver's sale of the Belfont Steel & Wire Co., Ironton, O. The purchase is taken as the signal for an expansion of Armco in the wire and wire products field. Adding Belfont to its Norton and Ashland properties, it now has facilities for making wire products from raw steel through billets to finished articles.

The code itself is not likely to escape this tendency toward change in the steel industry. A Code Authority (Steel Institute) provision that the deadline on shipments from the mills for a current quarter is the final day of that quarter has aroused many protests. It tends to push operations to an artificially high level in the final 30 days of any quarter in which a price advance looms, to perpetuate the peaks and valleys in employment and production, thereby increasing costs. Steel users particularly object to having tonnage forced on them at the first of the year when they want to hold down inventories. This provision may be changed.

Another code modification is likely to permit shippers over inland waterways to give customers part or all of the advantages of the lower rates available on these routes; at present, savings over rail shipment must accrue to the producer, cannot be passed along to the buyer. Railroad men like the restriction, steel buyers don't—especially those in outspoken Detroit (*BW—Sep23'33*)—and steel makers haven't all been happy about the results.

On the whole, though, steel is feeling pretty good about everything, including the code. Automobile orders have boosted operations of many sheet and strip mills to capacity, where it will probably remain for the rest of the quarter. Makers of forging steel, which was stocked heavily by Detroit users last fall, are again expecting to feel the effects of automobile buying. The construction industry and the railroads are in the market with RFC loans and PWA funds. The outlook for the industry is brighter than in many a month.

As to the code, Myron C. Taylor, chairman of the United States Steel Corporation, summed it up in a discussion with a representative of *Business Week*. "The future of the steel code is largely a problem in human nature. It is a question of how long members of the industry can live peacably together and how soon someone, selfishly inclined, will break through the traces and force others into combat with unfair, dangerous and often destructive practices.

"In our own company, we are doing all we can do to make the code work; first, because I think that that is the right thing to do and, second, because I am anxious that the industry should succeed in setting such an example of self-restraint and cooperation."

Business Week

MARKED MONEY—The Burgess Battery Co. demonstrated its economic importance to the town of Freeport, Ill., by paying off in silver dollars. Tradesmen cooperated with "Silver Dollar Specials"; the employees quickly got rid of their cartwheels; the town, thoroughly Burgess-conscious, got the idea.

Oil

Commercial discounts are this week's bone of contention.

"TYPOGRAPHICAL errors" created new differences this week between Lord High Oil Administrator Ickes and the industry's Planning and Coordination Committee. In approving, with modifications, the marketing agreement Jan. 20, Ickes also approved various contract forms governing distribution of petroleum and its products drafted by the P&C committee. They were recalled by the committee later when Ickes asserted that the forms were incorrect and would have to be revised in order to carry out the purposes of NIRA.

Ickes claims that the contract covering commercial discounts had not been submitted to him for approval. The P&C committee has nothing to say to this surprising assertion. This contract would have granted to commercial consumers a discount of 2¢ a gal. on standard and high test grades, 1¢ on third grade if deliveries aggregate more than 3,000 gal. monthly.

Not Acceptable

This proposal is not acceptable to the Ickes' Petroleum Administrative Board, which is hatching up a plan of its own that would not attach to the marketing agreement but would be set up independently under Article V, Rule 3, of the code. This provides that, until such time as the P&C committee announces the conditions under which commercial consumers may be sold at service stations on a contract quantity basis at less than posted service station prices, no accounts at service stations may be sold at less than the posted prices except on non-cancellable contracts made

prior to Aug. 19, 1933, the date of the code's approval.

This provision is the target of most of the complaints of independent filling stations, which charge that thousands of their commercial accounts have been taken away by "backyard" deliveries by big company tankwagons at discounts amounting to 5¢ under what the independent retailer pays.

Reports that East Texas is running wild, beyond what production figures show, are expected to lead to drastic action by Ickes as soon as the evidence is in. So far he has merely adopted a short-cut method of handling prosecutions in Texas of the oil code and production curtailment orders. By arrangement with Attorney General Cummings, his two special assistants in Texas can prosecute violators without 1 questing authorization from Washington. Immediate action against all reported violators is planned.

In Ickes' suit for an injunction requiring Standard Oil (N.J.) to bench the Babe Ruth prize contest both sides are digging in for a long fight. Hearing in the Supreme Court of the District of Columbia was postponed until Feb. 5 to give them a chance to perfect their arguments.

Code Prices and "Dead Cats"

Attack on "price-fixing" in codes, centering on open-price plan, endangers industry's entire effort to set its house in order.

DEAD cats of the breed that General Johnson spied in the offing, before the ink on the first NRA code was dry, have plopped into the NRA goldfish bowl with price tags, mostly open-price tags, tied to their tails. They are now beginning to interfere with normal code-making to such an extent that, to prevent total clogging of the machinery, the General has just issued an order staying future approval of all open-price provisions that include a time-lag until a study of open-price associations, now in progress, has been completed.

Highly articulate interests are being mustered for an organized assault on all price provisions in codes. Champions of the consumers raise their voices in protest whenever prices or matters directly affecting prices are mentioned. They took full advantage of the recent public hearing on price-changes to record objections to the general trend toward higher prices as well as to emphasize specific instances of "excessive increases" blamed on "price-fixing codes."

Enter the Chiselers

Another group of protestants is made up of those minority members of practically every industry who are accustomed to thrive on the financial, moral, or ethical fortitude of their competitors. Enforced observance of certain trade practices, price policies, and terms cramps their style. Losing business to more dependable competitors, they are now pleading for relief from the bad big interests that obstruct the road to chiseling.

A third battalion, numerically second only to the consumer group, is made up of retailers, wholesalers, brokers, distributors, and chain store representatives, all advocates of laissez-faire with a personal ax to grind. Retailers, particularly department store men, want no price provisions anywhere: they prefer to dicker, bargain, trade, or chisel with individuals, not industries. Wholesalers, brokers, distributors, in many cases, want to save their meal ticket, object to any fixing that does not let them in for a satisfactory slice. The chains also prefer separate links, not group action, by their suppliers. When it comes to differential or mark-up provisions, as in the wholesale and retail codes, they don't like those at all.

Finally, of course, there are the objectors for whom code prices aren't high enough. Their complaint is that the code favors the low-cost producers, and they want to have that fixed.

Actually the price provisions in the various codes represent little or no more than was promised to industry—by implication at least—when the proposal to impose minimum wages and maximum hours was accepted (*BW—Aug19'33*).

Open Prices Not New

The open-price plan, upon which most of the attack is centered, was evolved many years before the NIRA was thought of, not so much as a means of circumventing the anti-trust laws, but as a stabilizing governor in industries that were producing highly standardized products. It was found effective and practical, and so many industries adopted it that it attracted the attention of official Washingon. The 69th Congress, under Senate Resolution 28, ordered the Federal Trade Commission to investigate open-price associations. The report, filed Feb. 13, 1929, dealt with the subject exhaustively and indicated that little suspicion could be attached to the plan. Only one court action involving an open-price association has attracted national attention, that of the United States against the Sugar Institute, U. S. District Court, New York, E59-103. This, after dragging in the courts for several years, was referred to a special master in October, 1933, and the report, expected in the near future, may have important bearings on the entire status of NRA codes.

Meanwhile an analysis of the first 196 codes indicates that all industry regards prices and pricing practices as inseparable factors in a program that involves definite and often arbitrary imposition of fixed minimum wages and maximum hours of productive labor.

With the third code approved (that of the electrical manufacturing industry) blazing the trail, 53 industries have

Business Week

SEA FLIVVER—One of the new 18 ft. Chris-Crafts, selling for $795 to $925, a bid for volume in the low-priced field. Costs no more to run than the average car.

Business Week

ELECTRIC SIDEBOARD—The "Kookette," devised by Henry Bosch of the Pacific Gas & Electric Co., San Francisco, can be rolled anywhere, provides outlets and storage for the coffee percolator, chafing dish, waffle iron, casserole, and other entertainment appliances. The cords roll up in their own compartments.

written the open-price plan into their code and had it approved; 9 others have adopted it in modified form; 27 more have provided for the filing of price lists, discount sheets, etc., with their Code Authority or some other central agency, without providing for inter-company distribution or a time-lag.

Time-Lag Under Fire

Observers, who have watched the gathering storm of protest against the "price-fixing" in codes and more specifically against the open-price plan, claim that most of the fire is directed at the time-lag provisions contained in most of the open-price codes. These demand that a specified period (generally 10 days) shall elapse between the time when a manufacturer files his new prices and the date on which they become effective, the object being to give others producing similar products an opportunity to file new prices also, if they so desire. Some opponents of the plan refer to this time-lag as a "period of intimidation," during which competitors inclined to stand pat on old prices are browbeaten until they fall into line.

Available records in industries that have used the plan extensively disclose no such inclinations. On the contrary, they seem to indicate that, on highly standardized lines, where destructive price-cutting and suicidal chiseling would ordinarily drive prices to the bankruptcy level, the open-price plan keeps prices on a safe and reasonable level and puts competitive emphasis upon quality, advertising cooperation, cooperative services, etc.

Industries in which, because of diversity of products, the style factor, or other reasons, the open-price plan cannot be applied satisfactorily, have found other ways of weaving methods of price-stabilization into their codes without apparently cramping competition.

For instance, practically every code that has been approved contains provisions against selling below cost, which is just another way of tying the hands of the would-be chiseler, but which incidentally results in a definite increase in the average price of all products. A similar effect is obtained under clauses specifying standard terms of sale and cash discounts in 37 codes, and making it hard for the transgressor who has been accustomed to do his chiseling and price-cutting via that route.

Political Victim?

Those who are interested in keeping the open-price plan as part of the NRA code set-up now fear that it may become the victim of political expediency.

They hold that government interference with codes already approved would amount to something like breaking faith with industry, say that sacrifices on the marketing phases of the codes should not be demanded unless corresponding concessions are granted on the production side which, of course, labor wouldn't tolerate. They point out that approximately 90% of the codes which carry pricing provisions cover industries that do not produce consumer goods, that the eventual effect of those pricing provisions upon the cost of goods bought by the consumer would have to be figured in infinitesimal fractions of one per cent. Hence, they argue no case can be made for interference "to protect the interests of the consumer."

De-Banking Armour

Changes made by packing company promise harmony in control.

BANKER control of Armour & Co. was definitely ended at the annual meeting. Four members of the Armour family returned to active participation in the management of the company founded by P. D. Armour in 1863 when he was building Chicago with the help of Gustavus Swift, George M. Pullman, Cyrus McCormick and Marshall Field. Frederick H. Prince, Boston capitalist who recently became the largest individual stockholder in the company and opposed the first reorganization plan, was elected to the Board of Directors together with 3 of his representatives and became chairman of the powerful Finance Committee.

Bankers Out

Samuel McRoberts, Arthur Reynolds, and Albert H. Wiggin, the triumvirate of bankers who have dominated the company since J. Ogden Armour lost control of it, have resigned. Reynolds and Wiggin resigned prior to the meeting. Much of the dissatisfaction of stockholders which made the annual meeting a stormy session grew out of the fact that preferred dividends had been suspended although the company for a long time paid Mr. McRoberts \$60,000 a year and Messrs. Reynolds and Wiggin each \$40,000 a year for the benefit of their financial and management advice.

Under the Illinois corporation law Armour & Co. cannot pay dividends until its actual assets exceed stated values in its capital structure. Although the present management has restored the earning capacity of the company and dividends were earned last year, recapitalization plans must be effected. The two groups which opposed the plan offered last year are now represented on the board and harmony is promised. One of these is represented by Mr. Prince and the other by Charles Ulman, a St. Louis attorney, speaking for a small minority group.

Return of the Armours

A. Watson Armour and Laurance H. Armour continue as directors. Lester Armour, who resigned as vice-president in 1929, and Philip D. Armour, who resigned 3 years ago, were added to the board. Philip D. and A. Watson Armour became members of the Financial Committee.

Mr. Prince, besides having some forceful ideas as to the reorganization of the company, is undertaking to work out with code authorities in Washington a plan whereby packers may either be relieved of some of the burdens of carrying and speculating on all the livestock offered at public markets or, at least, be relieved of some of the onus of

the price reaction which attends this responsibility. As matters now stand, packers must take all of the livestock offered and carry the meat products in inventory regardless of market conditions.

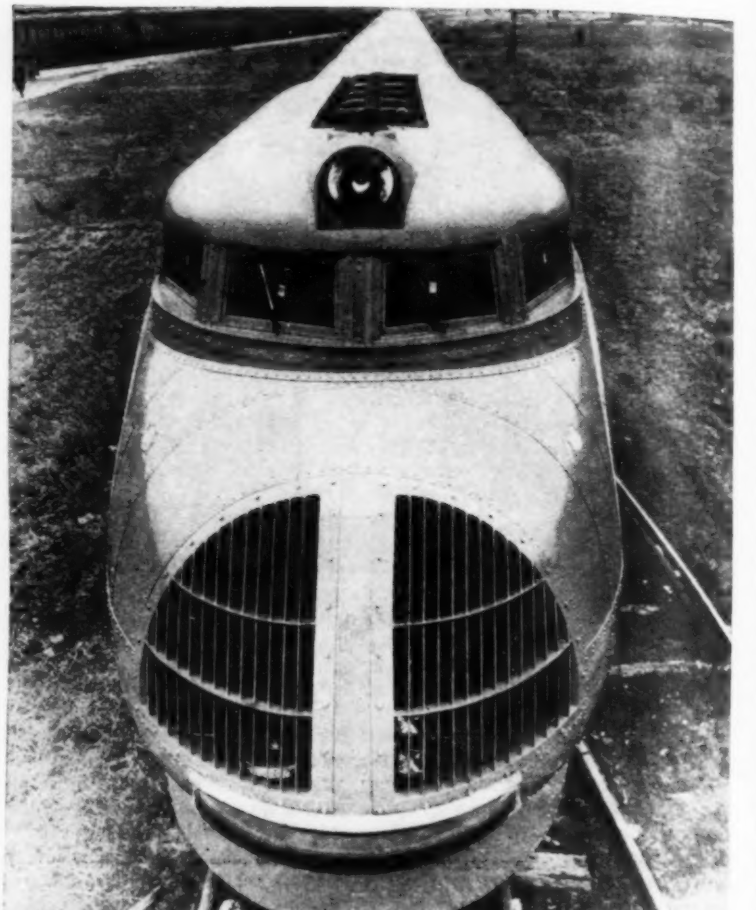
Announcement was made that presentation of a reorganization plan for Armour will await final agreement on the code.

Packers' Problems

More buying, not lower prices. seems to be the way out of the meat surplus.

WHILE meat sales rose 4.5% in tonnage and 3.5% in value in 1933, output at the slaughtering establishments climbed 8% and Dec. 31 found packers' inventories 46% over those of the same day in 1932.

Two things, it is held, can move the surplus meat hanging over the market: Increased purchasing power as result of general betterment in employment, and lower prices. Packers cannot "see" the latter remedy. They say the farmers are already up in arms over low prices and that their own profits are so small as to prohibit much reduction in price without passing it back. Swift & Co., for instance, made a 1933 profit of $10,319,037, including inventory appreciation. But, on its half-billion dollar business, that's roughly 2¢ on each dollar of sales, a small fraction of a cent on each pound of meat handled.



TOMORROW'S TRAIN—The business end of the Union Pacific streamlined, light weight, high-speed train, just completed by Pullman, soon to go into service. This first of the "rail-planes" cost $200,000, is expected to show great operating economies, demonstrate the possibilities of high speed traffic for the railroads.

$700 Airplanes

Aircraft industry wonders whether "mass production" plane would ever get into mass production and whether it would be a good thing if it did.

NEW industries often lead the way out of depressions. The building of airplanes is a new industry. It has great romantic appeal and commands wide popular interest. Put those facts together and there emerges the explanation of the diligence with which the Administration in Washington is furthering the project to force upon the market low-priced mass-production airplanes suitable for sale to the multitude.

The Vidal questionnaire, an inquiry from the Director of Aeronautics in the Department of Commerce to all American-licensed pilots and students as to their willingness to purchase a new type of airplane if one were offered at $700, started a discussion that gathered momentum and acrimony as it advanced. The grant of $500,000 from the Public Works Administration for the development of such planes (one of the most surprising "public works" yet furthered under PWA) has intensified the confidence of the supporters and the interest of the skeptics, and has given the scheme a flavor of reality which the aircraft industry had originally felt to be lacking.

Of skeptics there have been plenty. Experts of long aeronautical experience doubt that the private airplane is enough of a utility vehicle to find a present market for really large quantities at any price. They point out that costs of upkeep, insurance, and storage, more than first cost, determine ownership capacity. Builders of light airplanes for private ownership, that sell at a minimum around $1,400, have seen a threat of government-supported competition that would extinguish them outright. Builders of larger and more solid craft for more serious commercial purposes have, in some cases, expressed private alarm over the possible effect on public opinion of a mass sale of light aircraft to new-made pilot-owners who might very shortly eliminate their aircraft and perhaps themselves.

Supporters of the scheme reply that present-day knowledge assures the possibility, if not too much attention is paid to high speed, of building an aircraft that will be safe and satisfactory in the hands of an average citizen with but a few hours' training. They add that it is inconceivable that the business of building private airplanes should continue on its present level, and that if it is ever really to amount to anything it must develop radically new ideas concerning markets and merchandising.

A committee representing a miscellany of industrial and aeronautical and governmental interests is now pondering the question.

Doubt exists as to the possibilities of cost reduction by building in lots of a few thousand. Airplane constructors point out that labor now makes up a very small part of total cost, that airplanes are commonly built of raw materials costing from 40¢ to 60¢ per lb., automobiles of material running about one-twentieth of those figures. A cast-iron airplane will not fly, nor will one

built of ordinary mild steels. Special alloys called for in modern aircraft construction come high.

Though practically every automobile company has had at least passing mention as a possible sponsor of the Vidal plane, none has admitted an interest and several have explicitly disavowed it.

Capital for Industry

How best to supply the money manufacturers need if they are to pick up where government spending leaves off becomes a prime concern of the Administration.

WASHINGTON—The Administration is deeply concerned right now with the problem of stimulating industry, particularly small industries. It is time. The huge direct expenditures of the government will provide consumer purchasing power and employment for the next few months; industry must be prepared to take advantage of this, and further, unless the President's budget program is to be wrecked, must take up the slack in employment as CWA and PWA are tapered off.

Greatest unemployment still is in the durable goods industries, and that is where stimulation would be most effective, but the possibilities of helping other manufacturers, and even merchants, will be explored.

Concentrated study of the broad problem has been going on for some time. On Wednesday, Arthur D. Whiteside, NRA divisional administrator, and Col. Robert H. Montgomery, chief of research and planning of NRA, began as joint chairmen to hold a meeting of representatives of NRA, of codified industries, of banking and investment interests, and of experts who have been studying conditions in the field. RFC is cooperating, has had liaison men with Whiteside and Montgomery for weeks.

The idea is to find out what can be done under present laws in the way of direct loans to industry. If nothing very useful can be done, the Administration wants to know it in time to get from Congress whatever new legislation is necessary. If something can be done now, the hearing should develop just what and when and where.

RFC looks to NRA to do the studying and present the suggested solution, in other words to integrate the industrial program problem just as PWA integrated public works. RFC officials are disappointed that of $1 billion RFC money which might have been put at the service of industry, only some $2 millions has been used. Its own suggestion, that it would finance mortgage companies which would make mortgage loans to private concerns, is not getting anywhere in particular. Most plants that need help haven't much to mortgage.

A new suggestion that originated in New York and is being taken very seriously is a proposal for the RFC to set up a federal discount corporation that would take 2-name paper (buyer and seller) to cover purchase of equipment needed for modernization of plant—the sort of capital outlay that is needed to equip many small plants for the cost-cutting competition under codes, and the money that would make employment in the long-suffering machinery industries.

The suggestion has been worked out in some detail by its sponsors. Capital of $10 millions is mentioned as adequate, and the right to issue up to $200 millions of debentures. The equipment buyer would be asked to put up 10% to 30% in cash, the balance in 1- to 5-year notes. The seller would endorse the notes, discount them at once up to 80% cash, receive the rest when the note was paid in full.

Federal Competition

It is a typical partial-payment transaction; it would bring the government into competition with companies already in this field. But, just as the government found it necessary to make mortgage money cheap and plentiful, so it is argued that only by making discounts cheap and easy may any real program of factory modernization be realized.

And modernization—lest there be any misunderstanding—is really a recovery measure. Some of the new equipment would be purchased to improve existing products in quality or design, some for the maunfacture of new products, and only a part for the saving in labor.

Others proposals are for the RFC to guarantee old debts up to 75%, thus releasing the company credit for bank loans for new needs, but RFC dislikes dead horses. Another plan would have the RFC guarantee new industrial loans up to 90%, but reduce the percentage guaranteed at stated intervals.

All plans contemplate sharing of responsibility with the banks, keeping from overloaning, maintaining the government interest in the loans intact so far as practicable.

Globe

THE SENATOR TUNES IN—Chairman of the Senate Interstate Commerce Committee, Senator Dill, of Washington, proposes a federal commission to govern the nation's radio, telephone, and telegraph service.

Earnings

First reports on 1933 corporation incomes show that profits rose with volume.

BUSINESS really was better in 1933. The improvement traced in *Business Week's* rising curve of activity is now showing up in the figures of the early earnings reports. In almost every line of industry capable managements were able to translate the pickup in volume into a greater number of dollars available per common share. And this despite an abysmal first quarter that all but wrecked many a weaker concern. Larger earnings were general as the year wore on, particu-

larly in the third quarter, though, in some instances, these gains were insufficient to offset the earlier losses. As a rule, however, even when red figures appeared they were smaller than those shown for 1932.

Most remarkable among reports so far received is the preliminary statement of General Motors Corp. Operations in closing months were hampered by unavoidable delays in getting into production on the company's new models. But during the year deliveries to consumers, at 755,778 cars and trucks, ran 48% above those for the preceding year. As a result, net earnings equaled $83,214,000 in 1933, compared with $164,979 in 1932 and $96,877,107 in 1931.

Powder Companies Thrive

Outstanding, too, was the record of the powder companies, Atlas and Hercules. Hercules reported a strong uptrend beginning in April that lifted volume 24% over 1932. Sales of the company's products rose sharply. Exports, in spite of higher quotas and tariffs, jumped in late spring, possibly due to the increased tension in Europe. Salaries and wages were raised and manufacturing schedules arranged to provide additional employment. But the profit margin was larger. Net rose by 165%. Atlas' sales showed less gain but costs were held down and net income jumped nearly 20 times.

Increased consumer buying power made itself felt in a number of these returns. The upturn in shoe production (*BW—Jan27'34*), most noticeable in the second half of the year, lifted earnings of two of the larger shoe companies by more than 50%. Better turnover is reflected in the statements of Proctor & Gamble and Industrial Rayon. Stores shared too, as Kress and Woolworth figures indicate.

Rails Stage a Show

Utilities, as a whole, did not fare so well. Earnings in practically all cases were slightly below those reported for the previous year. But many of the railroads came through with flying colors. Chicago, Burlington & Quincy, for example, was able to run its net income from $1.5 million in 1932 to $5.6 millions last year. Norfolk & Western, too, had a nice record with surplus after charges up by nearly $6 millions. Bangor & Aroostook, famous potato road, lifted its net income by better than 20%.

Reports are still too few to permit a computation of averages by industries or a comparison of the gains recorded by the various groups. However, enough have already been received to warrant the prediction that earnings, for the larger companies at least, will average above last year. Unless the rather human failing of reporting improved earnings quickly and holding those that are unfavorable acts to make future releases less rosy.

Exchange Control

Roper committee would lay a light but firm hand on stock exchanges to guide them.

THE Roper report on stock exchange regulation was an admirably restrained document. It would have been so easy to have pandered to the legions of those who lost money in securities by a stinging rebuke and the recommendation of drastic curbs that would have cut heavily into the business of all members. Instead, the Department of Commerce committee, headed by Assistant Secretary John Dickinson, A. A. Berle, Jr., and Trade Commissioner Landis, merely advised that rigid controls might prove worse than useless and that only the flexible mechanism of a Federal Stock Exchange Authority could meet situations as they might develop.

Aside from a few outstanding evils such as illegitimate pool operations, wash sales, overspeculation and specialist abuses, the committee would prefer not to codify regulations. Rather it would allow the Authority to draw such rules as it might find necessary and to alter them from time to time as it thought best. In effect the committee admitted that the men of Wall Street were pretty clever. And that if any of this array of brains really wanted to break the rules they would have little difficulty in finding loopholes.

The problem remains whether the Authority would be able absolutely to inhibit all undesirable practices. Much would, of course, depend upon the particular men selected, their honesty and ability, their freedom from outside pressure both financial and political, and the backing they would obtain from the courts, from the stock exchanges themselves, and from public opinion. Undoubtedly success would be only relative. Fraud might continue, but on a very restricted scale, and market manipulators would find the lambs less easy to shear. The searchlight of publicity which is to be the Authority's strongest weapon should glare into lots of dirty corners and force a housecleaning before too much damage had been done.

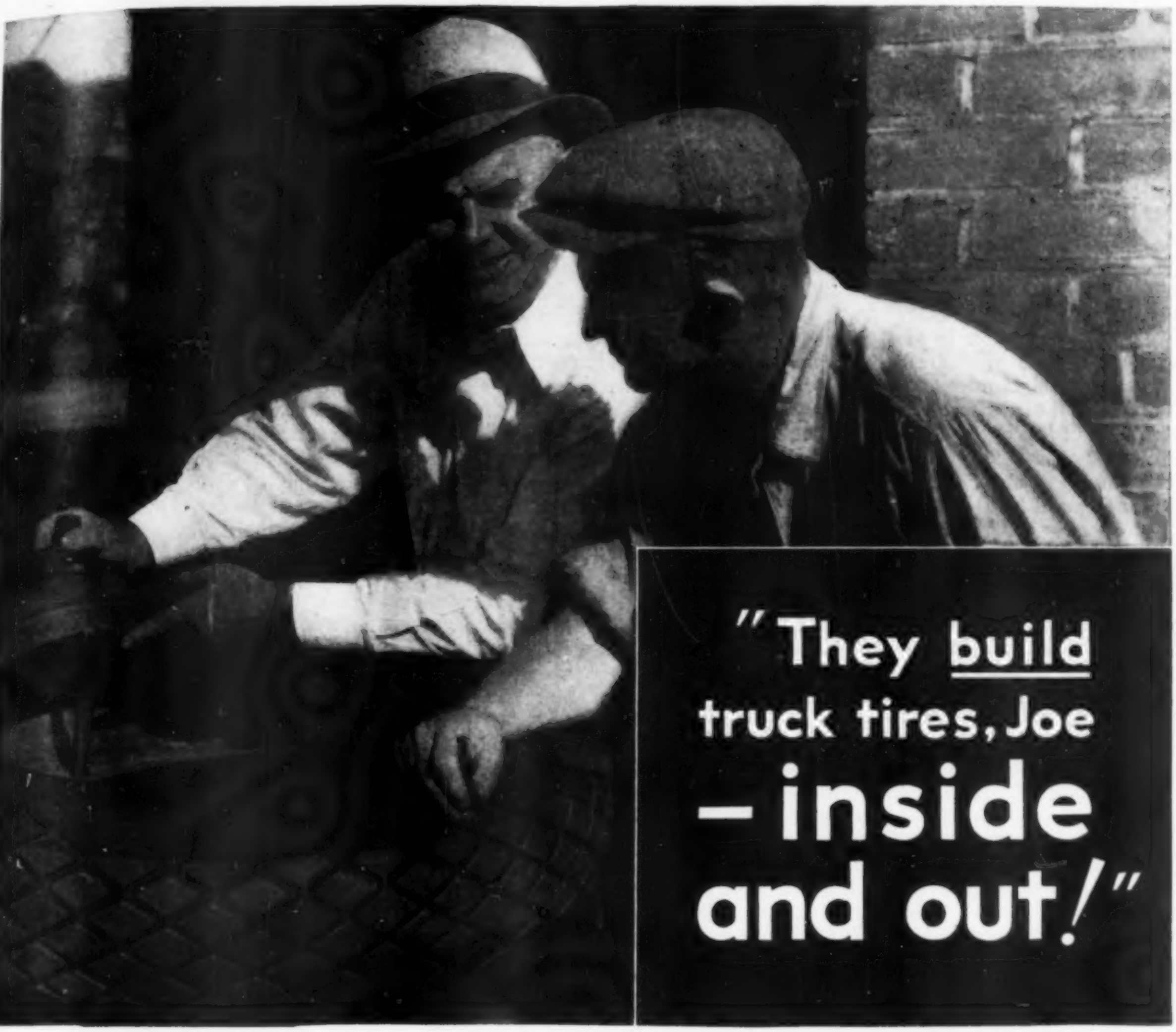
The Senate Banking and Currency Committee has studied this report and will soon start drafting legislation for the regulation of stock exchanges. Indications are that the draft will prove to be much more specific in its restrictions than that proposed by the Roper committee. Ferdinand Pecora, counsel for the Senate committee, has traced down many stock exchange abuses in the course of the banking investigation and believes that they should be definitely prohibited. Even stronger views may be expressed at the public hearings scheduled to open early in February. But legislation will probably not depart very far from the present set of recommendations which, after all, should prove quite satisfactory to the public and a real moral victory for the exchange.

Earnings Are Mostly Up

Heavy increases over 1932 star the first list of companies reporting on 1933 incomes. In most cases, they are due to better sales; in some, they also reflect better cost control.

Company	1933 (000 omitted)	1932 (000 omitted)	% Increase
American Brake Shoe & Foundry Co.	986	257	283.6
Atlantic Refining Co.	6,556	3,918	67.3
Atlas Powder Co.	709	42	1588.0
Bangor & Aroostook R.R.	993	701	41.6
Bethlehem Steel Co.	*8,735	*19,404	
Caterpillar Tractor Co.	302	*1,616	
Chesapeake & Ohio R.R.	28,102	23,384	20.2
Chicago Burlington & Quincy R.R.	5,598	1,502	272.7
Devoe & Raynolds Co.	656	‡21	212.4
duPont (E.I.) de Nemours	38,895	26,234	48.2
Endicott-Johnson Corp.	2,154	‡1,188	81.3
General Motors Corp.	83,214	164	4974.0
General Tire & Rubber Co.	414	‡202	104.9
Gulf States Steel Co.	193	*518	
Hercules Powder Co.	2,363	889	165.8
Howe Sound Co.	827	76	988.1
Industrial Rayon Corp.	1,807	237	662.4
International Shoe Co.	9,091	‡6,648	36.7
Kress (S.H.) & Co.	5,157	3,428	50.4
Norfolk & Western R.R.	22,301	16,811	32.6
Procter & Gamble Co.	7,107	†4,621	53.8
Purity Bakeries Corp.	741	319	132.3
U. S Steel Corp.	*36,519	*71,175	
Virginian Railway Co.	2,956	2,074	42.5
Western Maryland R.R.	936	612	52.9
F. W. Woolworth Co.	28,690	22,101	29.8

* Net loss ‡ Year ended Nov. 30 † 6 months to Dec. 31



–and millions agree

They don't all know why it is. But wherever truck tires are discussed—from the 100-truck garage of big business to the barnyard mud of Fair Oaks farm—they know they want Goodyears . . . Goodyears are money savers. And any business wants money savers.

Some reasons:—Patented pre-shrunk Supertwist cord construction • body rubber chemically toughened • new flat, high-shoulder tread shape • new improved bead construction • world-famous, exclusive All-Weather tread • Pima cotton, longest fibre grown • and you pay no premium.

See or phone the Goodyear dealer near you. Learn why more tons are hauled on Goodyear tires than on any other kind.

NRA

GOODYEAR

TRUCK TIRES — *Money savers*

—And Now the Tax Bill

Under proposed income tax revision, the little fellow would pay less, the coupon-clipper more, and the Administration would again link revenue with reform.

"A $7.3 billions deficit for the fiscal year ending June 30, 1934. And another $2 billions deficit for the fiscal year ending June 30, 1935."

"And a cheap price to pay for recovery," said some of us readers of the President's budget message.

Now we'll each have a chance to test the courage of our convictions. The House Ways and Means Committee has announced what it thinks the news ought to mean to us individually.

If its new tax bill goes through as written, the news will mean most to those of us who derive income from dividends or interest. Mixing economic reform with economic reconstruction after the now familiar Administration recipe, the bill continues the deliberate policy of redistributing social income by means of taxing power. While the committee marked down reductions in taxes on net earned income, diminishing them as it climbed the brackets, it simultaneously wrote in important additions to the levy on investment income.

Important Examples

As a graphic example of the results, the earned $10,000 on which a married man without dependents now pays $480 would cost him only $423 in taxes under the new program. (On $3,000, he would give up only $8, instead of $20, as at present.) But the $10,000 netted from dividends on which he now pays $40 to the government will be nicked for $155 if the committee's proposals are accepted.

A Simple Formula

The Congressional formula is a simple one. Earned income, such as salary, is subject to both the normal tax and the surtax rates. Dividends from stocks of domestic corporations and interest from government bonds of all types are subject only to the surtax. Obviously a cut in the normal tax rates and an increase in the surtax rates would reduce the levy on earned incomes in the lower brackets and leave the highest ones virtually unchanged, would boost the collections from investment incomes. So the Ways and Means Committee proceeds along these lines.

Other new tax proposals thus far agreed on in the committee debates are intended as plugs for loopholes. For those who have been getting out through the capital gain and loss provisions of the present law, the Representatives prescribe a tax of 35% on undistributed net income of personal holding companies, a levy of 15¾%, instead of 13¾%, on consolidated returns of corporations filing combined returns, and improvements in joint returns of husbands and wives.

For foreign corporations within our borders whose home governments are hard on American branches within theirs, retaliatory surprises may be provided before the committee finishes.

All in all, these changes may boost government revenues about $200 millions. This is far from sufficient to balance the budget or to pay interest and amortization on the additional $16 billions public debt contracted since 1929. The Ways and Means Committee knew the folly of trying to fill that gap. If there was any doubt that incomes, earned and corporate, have suffered too much to stand sharp tax increases, it was dispelled by recent Treasury figures.

Revenues Up

Final data on 1932 income taxes, paid last year, now show that, although revenues were 35% higher than in 1931, taxpayers reported an aggregate decrease of 15% in incomes. Altogether, 3,760,000 of them had a net income of $11 billions against $24.8 billions paid by the 4 million reporting in 1929. And, whereas 1929 found 513 individuals with incomes of at least $1 million, only 20 showed up in that class in 1932.

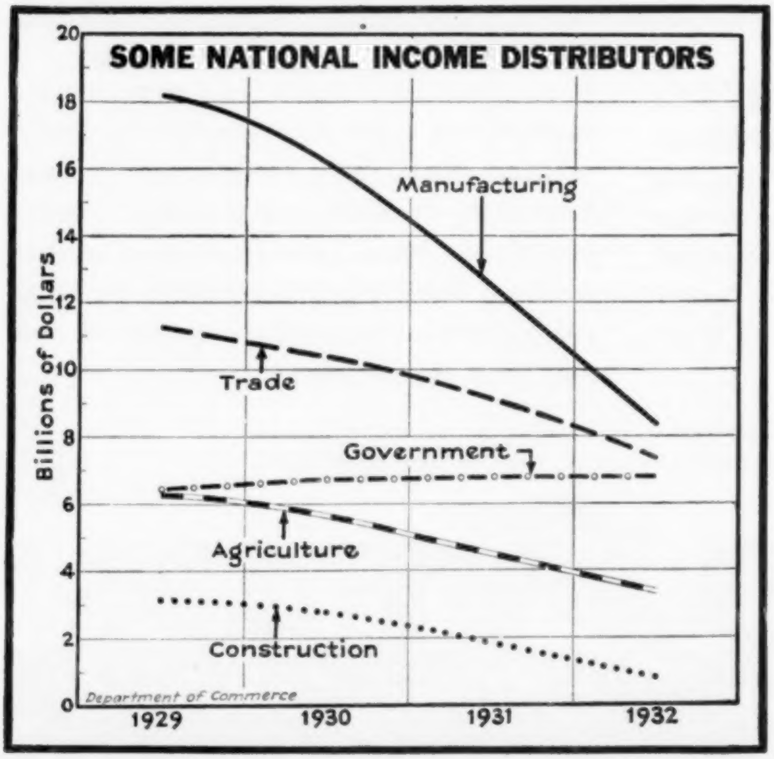
The bad news is confirmed by another set of income statistics issued by the Department of Commerce. They show that total income distributed to all individuals in the United States in the form of wages, salaries, interest, profits and dividends, dropped from $81 billions in 1929 to $49 billions in 1932—off 40%. Wages suffered most, falling 60%, salaries dropped 40%, incomes from property, 30%. Dividend payments were well maintained in 1930, but declined thereafter. (The trends are shown in the charts on this page and page 18.)

Corporation Results

Of 481,368 corporations, only 78,775 showed a profit, aggregating $1.9 billions, while 348,954 were in the red to a total of $6.4 billions. In not one of their 8 main classifications was the aggregate net income of those concerns operating at a profit equal to the aggregate net deficit of those that chalked up a loss.

Business drew upon its capital to pay losses, dividends, and interest to an extent of $5 billions in 1930, $8.6 billions in 1931, and $10.6 billions in 1932.

Business men must expect increasing taxes from now on and, if the present theories of the Administration remain in vogue, these taxes will bear more heavily on profits than on earned incomes. But it obviously wouldn't be smart to turn much heat on right now.



Justify your wife's confidence— she trusts her todays and her tomorrows to you

LOOKING back, you may take a great deal of pride in the things you have been able to do for your wife. Her happiness is of first importance to you. But looking ahead, is it clear sailing?

The more you want to do for her, the more difficult it often becomes to decide how much to spend for comfort and pleasure today and how much to put aside for the "tomorrows".

Has your wife the comfort of knowing that you have found a way, or will find the way, through a well-planned Program of Life Insurance, to provide for her continued financial protection?

Optimism may suggest that her future will take care of itself. But all about you is trouble that you hope your wife will never experience.

Establish a plan for future financial independence for your wife and yourself. Have it include reserves which will tide you over in event of accident or sickness. Then your "todays" will be happier because you have made your "tomorrows" safer.

A Metropolitan Field-Man will be glad to tell you how the Monthly Income Plan will provide for your wife's future and perhaps your own as well. Send for him — or mail the coupon.

Have a well-rounded Program of Protection. The Metropolitan's contracts afford a means to

—create estates and incomes for families
—pay off mortgages
—educate children
—provide income in the event of retirement
—establish business credits
—stabilize business organizations by indemnifying them against the loss of key-men
—provide group protection for employees covering accident, sickness, old age and death
—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

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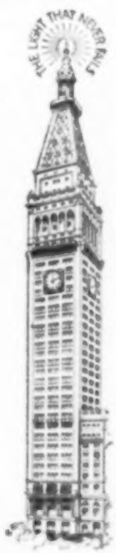


METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

Here's How

The liquor business goes over big but high prices have brought back the bootlegger.

WHILE repeal made a decent woman out of the liquor business, heavy obligations were imposed upon the hussy as the price of a pardon. She was to behave herself; she was to create business for retailers, restaurants, hotels; she was to produce public revenue. All these things the convert has valiantly fulfilled.

But beneficiaries have been disturbed by a rustling which proved to be a snake in the grass. The snake answers generally to the name of "Tony"; he personifies the bootlegger who, after playing dead for a few weeks, is coming back in new but powerful manifestations. It was feared that high taxes with increases in other costs would drive up consumer prices to a point where the "bootie" could operate. They have and he is. The legitimatized industry and the government are worried. Washington is anxiously mapping a counter-offensive.

Sales Leap Taxes

Despite the heavy handicap of untaxed opposition, sales both by the bottle and the drink have gone singing over the top. It is estimated that 5 New York department stores sold $2 millions of corked stimulants between Dec. 5 and Jan. 1. The new excise rate hikes the tax on distilled spirits from $1.10 a gallon to $2. Though stocked with supplies that paid the lower impost, many retailers celebrated the raise by increasing prices. One store in New York added 15¢ per pint, 20¢ a fifth, 25¢ a quart. Vitality of the demand was proved by the fact that sales continued to improve.

Boom-time hotels, born to red ink, are now getting their first smell of the black, thanks to liquor. Horwath & Horwath, hotel and restaurant accountants, made a survey which show rates of improvement and furnishes a yardstick by which the general increase of business can be measured against increase due to drink sales. Here are records of hotel sales in 3 big towns for the first month of repeal:

Dec., 1933, compared to Dec., 1932

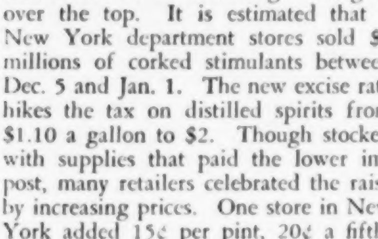
Rooms

New York City	Increase, 13%
Chicago	Decrease, 7%
Cleveland	Increase, 1%

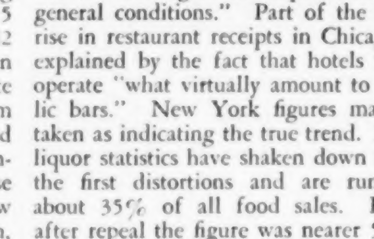
Restaurants

New York City	Increase, 36%
Chicago	Increase, 62%
Cleveland	Increase, 10%

Cleveland hotels were not permitted to sell liquor in December so that gains indicate the "gradual improvement in general conditions." Part of the huge rise in restaurant receipts in Chicago is explained by the fact that hotels there operate "what virtually amount to public bars." New York figures may be taken as indicating the true trend. Here liquor statistics have shaken down from the first distortions and are running about 35% of all food sales. Right after repeal the figure was nearer 50%. Interesting is the breakdown of a typical $100 spent for drinks in a New York hostelry: spirituous liquors, $72.62; champagnes and wines, $21.14; beer and ale, $6.24. (Beer will make a better showing with hot weather.)



SURPLUSES HELP SUSTAIN HARD TIMES INCOMES



DEPRESSION HITS WAGES HARDEST
1929=100

Horwath & Horwath use these figures for cheering deductions. "Many defaults on hotel mortgages will be 'cured' with a resultant restoration of mortgage investment values." "The great majority of hotels that could not pay their taxes in the past 2 years will be able to do so in 1934." But these blessings are promised only for wet areas with laws liberal enough "to enable hotels to put speakeasies and bootleggers out of business.

Childs Likes It

Restaurant keepers also are smiling into their ledgers. Experience of the Childs chain is illuminating. After repeal, Childs experimented by serving liquor in several of its 105 units. Results were "very, very satisfactory." Now all but 1 restaurant of the 54 in New York serve alcoholic drinks—and that one doesn't because it's a cafeteria. Liquor will be added in other cities where the law permits. Childs found that 23 diners out of every 100 ordered drinks. Of this convivial 23, only 4 had drinks and nothing else; the remaining 19 also ate.

Actually, adoption of liquor marks a cheerful climax in a long trek from Childs' primitive austerities. Who can forget the originals of the chain with their buckwheat fronts, their bleak walls, their uncompromising white tables, their forbidding waitresses said to have been chosen for their uncomeliness so that diners wouldn't pester them for 'phone numbers? In those days Childs' was a regular source of gag material for comedians. A more tolerant management beautified interiors and waitresses, put the buckwheat tossers back in the kitchen where they belonged.

Dancing, Too

Latest and most amazing is the addition of orchestras and dance floors, a direct result of repeal. There are now 4 units with orchestras and dancing, 1 each in New York, Cleveland, Miami, Atlantic City. This summer a fifth will be added at Coney Island. Before the additions of stimulants and music the Cleveland unit was on the down-grade. Dollar results of the change are said to be something to marvel at.

Sadly, the minstrel interrupts his madrigal to shake the grapes out of his hair and strike a minor chord. Bootleggers have moved back into the business and in a great big way. Harken to the plaint of an executive of a big distilling corporation:

"Illicit whiskey makers are now a real threat to the profits of licensed distillers and to the tax gatherings of government. With federal state, and muni-


"CANADIAN CLUB"

cipal imposts making reasonable retail prices impossible, the bootie, paying no taxes, can undersell. Actually his distribution problem is simplified. In cities where retail stores are legal, you no longer get questionable wares delivered at your doors by sleazy youngsters. The bootleg ring sells direct to the jobber or retailer. It can get alky, sherry, coloring and all the other ingredients. Some of the bathtub rectifiers aren't bad. They counterfeit labels. We have found spurious stuff under our brands being sold at state dispensaries. I have had retailers admit they bought from bootleggers. Their defense is, 'Well, price of the lawful stuff is so high we can't price it to within the reach of our customers.'

"Rectified bottles don't carry revenue stamps; they are required only for goods bottled in bond. It's no crime to copy a Canadian stamp. Thus the bootie only risks being caught by the company infringed against. We have one immediate hope. Recent liquor legislation requires that every bottle put out by a licensed distiller bear a 1¢ stamp. If the bootie imitates this stamp he is counterfeiting and in danger of some very heavy pushing around by U. S. prosecutors. Consumers will be coached to look for this label."

"Meanwhile, isn't the government helping you out?" he was asked.

The liquor man made a sound suspiciously like a groan. "Helping! Why the government is competing with us. Recently it sold large consignments of liquor taken from rum runners. The price was $10.50 a case. Much of that was imported, some bore our brands. Now, take a look at the tax figures here in New York. The import duty is $5 a gallon, the excise tax $2, the state tax $1. Total $8 a gallon. Thus, on a case of 12 fifths we pay $9.20 in taxes. Even on domestic stuff we pay $12 a case. And the government sells it for $10.50 with nothing to be added."

These prices illustrate the ease with which booties undersell legitimate companies. Beyond the large cities with their bootleg plants are shrewd rustics with crude stills who market their corn in the jug at $3 and $4 a gallon. In Pennsylvania, Governor Pinchot's state liquor stores have countered with a possible knockout. They are putting out their own rectified "poor man's" whisky at $1 a fifth, retail. Its companion is a triple-distilled gin at 90¢ a fifth.

Meanwhile the enforcement problem has popped itself right back into the federal government's lap. There is one large difference. Public authorities are now determined to put down bootlegging because it threatens tax collections. Many areas that used to tolerate the bootlegger in deference to the public appetite will now do everything possible to obliterate him.

The Battle of Wheat, Cotton, Etc.

AAA ponders new measures of control to handle the noncooperators, talks about licensing all crop producers, plans to add beef to its "basic commodity" list.

WASHINGTON, not the open spaces, is the source of farm news. Time was when the coming of spring was the signal for farmers to plan their crop rotations, prepare for seeding, and muse over their winter-fed hogs and cattle. Now, quite literally, they are waiting for orders from Washington. The AAA is struggling with the farm problem along a wide front. To license or not to license non-cooperatives in cotton and wheat? Should beef, milk and sugar be made basic commodities—thus permit production adjustment through processing taxes? How many hogs must be taken off the market by the Emergency Relief Administration to bring about a satisfactory price? How to market hogs —direct or through commission men? On what basis to renew milkshed agreements which expire Feb. 1? These are some of the posers.

Reports of large new plantings of wheat outside the recognized wheat areas (where the farmers are in general cooperating with the acreage reduction plan of AAA) does not cause much concern in Washington. The noncooperating producer will not get the advantage of the benefit payments. He will get a higher price for the wheat he produces, if prices go up, but the cooperator will also get 28¢ a bushel for the wheat he does not produce. This should have furnished farmers with incentives to become cooperators, but the 15% reduction of winter wheat land in the cooperating areas was cut down to 7% by outlaw producers, partly because of ignorance, partly because of inertia in organizing, and a little because of plain cussedness. Secretary Wallace hinted at a principle whereby noncooperators would be prevented from wrecking an adjustment program agreed on by an overwhelming majority of the producers.

The AAA can get plenty of control over non-cooperators, either by license or tax. This is the meat of the Bankhead Bill to license cotton ginners, but AAA would rather have the power to control all crops through an amendment to the AAA law. Whether the farmers want compulsory control remains to be seen. Secretary Wallace has sent out 50,000 questionnaires to cotton farmers.

Meanwhile, as this week ends, a total of 527,876 checks will have gone out to cooperating wheat farmers. Cash poured into the wheat-growing areas now totals nearly $45 millions. The farmers are paying personal taxes (they are generally letting the real estate taxes ride, to see about new tax valuations), buying shoes and clothes.

Beef and Milk Control

Secretary Wallace now proposes a $200-million revolving fund to finance an emergency program for production control in beef and milk cattle, to be raised by a processing tax on milk—"upward to 5¢ a pound on butter fat content and a compensatory tax on oleomargarine."

The plan is to make beef "a basic commodity" so that processing taxes could be levied and benefit payments could be made under AAA.

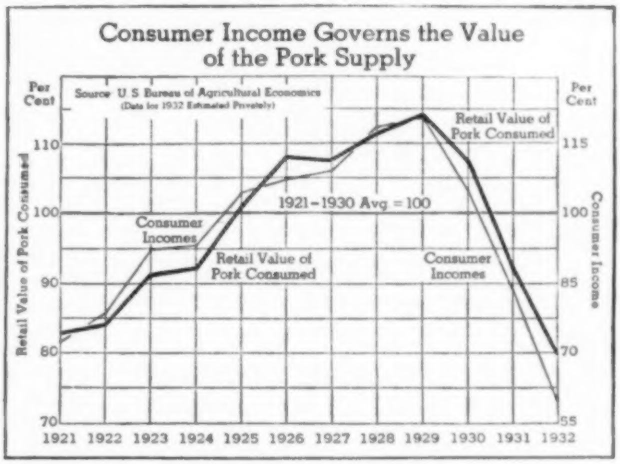
Meanwhile, licensing provisions in the milksheds are becoming momentarily more important as all the present milk marketing agreements expired Feb. 1. The plan is to allow licensing of production, with fixed minimum prices to farmers (but no fixed retail price), to overlap the new marketing agreements which will soon be put into effect in various milksheds, probably beginning with New York, where the hearings commence next Monday (*BW—Jan27'34*). AAA says that it will move into milksheds only if producers want AAA to "put a federal bottom" under them. If they can get better terms by agreements with distributors and processors, it is all right with AAA. Washington holds that the new plan, with the big pool controls, will work only if the farmers are solidly behind it.

Direct Buying Fight

Meat packers, farm officials, and AAA have been conferring on hogs. All that has come out of the committee meetings is the defense of the packers who say they haven't made much money even though they did a large volume of business. This is in line with the arguments they have used in Iowa where a pending bill calls for stringent legislation to curtail direct buying of hogs by packing houses. Once, the farmers had a good deal to say against the commission method of buying hogs. Now that they have developed their own livestock shipping associations they are supporting it and attacking direct buying. Though packers openly defend direct livestock buying from farmers, instead of at primary markets, privately they feel it is costly, and would be happy to have it eliminated.

The Book of our Year

1 9 3 4 Y E A R B O O K



SWIFT & COMPANY'S Year Book for 1934 is out!

Whether you are farmer, business man, or consumer, you have a vital interest in the contents of this book and you'll want to read every page. There's an article, "Meat Prices and Consumers' Incomes" (page 12) that explains, for example, who makes the price of meat. The chart reproduced above illustrates this article. You will learn that the supply of hogs to be marketed and the incomes of office employes, professional people, artisans, workers in building trades, and all who work for wages determine the value of meat.

You can read (on page 30), perhaps for the first time, what a milk fed chicken really is. And the book explains—in a fascinating manner—something of the broadly diversified organization of Swift & Company.

The "Report to Shareholders" by President G. F. Swift (on page 4) gives an executive's view of several of the Company's activities during 1933.

"The Importance of By-Product Values" (page 16) is of particular interest to the readers of this announcement.

Reference is made to the fact that Swift & Company's profit, from all sources, averages only a fraction of a cent a pound.

If you would like a copy of Swift & Company's Year Book, please fill out and mail the coupon, and you will receive it, free of charge.

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NIRA SCOREBOARD

Based on official texts of approved industry codes published up to January 27

(Continued from *Business Week*, January 27, 1934)

197. Retail Farm Equipment

By Federation of Implement Dealers' Associations of the United States (27 separate associations). *Maximum Hours:* 40-48 a week with certain specified tolerances. *Minimum Wages:* $10-$15 a week, depending on size of city and length of hours; South, $1 a week less. *Other Important Provisions:* Creates Code Authority. Prohibits sales below cost, defined to include invoice price, transportation and overhead. Standard accounting system to be adopted. Lists among unfair trade practices deceptive advertising, rebates. Prescribes methods of transferring agencies and handling trade-in merchandise or livestock.

198. Railway Safety Appliance Industry

By various groups of the industry. *Maximum Hours:* 40 a week averaged over 4 months. *Minimum Wages:* Mechanical workers, men, 40c. an hour; women, 35c. an hour. Women get equal pay for equal work. Office workers, $15 a week. Provides for equitable adjustment; prohibits reclassification. *Other Important Provisions:* Creates Code Authority. Calls for gathering of industry statistics.

199. Cork Industry

By Cork Institute of America. *Maximum Hours:* 40 a week averaged over 3 months. *Minimum Wages:* Men, 38c. an hour, women, 30c. an hour. Women get equal pay for equal work. Office workers, $14 a week. Provides for equitable adjustment; prohibits reclassification. *Other Important Provisions:* Creates Code Authority, establishes 6 industry divisions, each to have its own executive committee. Each division may employ open-price plan and require filing of price lists, discount sheets, terms, merchandising plans, and samples of products. Prohibits supplying under private brand materials and grades other than samples filed with headquarters. Bans selling at other than filed prices and terms. Provides for standard forms of contracts with various classes of buyers. Lists among unfair trade practices deceptive advertising, bribery, rebates, price protection, false invoices, loans to customers, extra operations and concessions, etc.

201. Wholesaling or Distributing Trade

Covers 24 commodity divisions. *Maximum Hours:* 8 consecutive hours a day. *Minimum Wages:* $14-$15 a week; South, $1 a week less. Women get equal pay for equal work. Wage reductions prohibited where work hours are reduced less than 20%. No reclassification. *Other Important Provisions:* Provides for General and Divisional Code Authorities. Contains differential clause "for the purpose of defining and establishing price differentials which shall be fair and reasonable in relation to the nature and extent of the distributing services and functions rendered by each buying class. Such differentials to include all elements affecting the net price, such as discounts, terms and allowances." Code Authority to announce specific differentials. Manufacturers not restrained from selling direct. Price differentials based on quantity purchased may be continued. Anticipates regulations covering loss limitations, selling below cost, price reporting. Lists among unfair trade practices inaccurate advertising, false billing, rebates, bribery, competition by wholesalers with retailers. Prescribes method of handling prison-made goods.

202. Carpet and Rug Manufacturing Industry

By Institute of Carpet Manufacturers of America. *Maximum Hours:* 40 a week averaged over 6 months, with specified tolerances. *Minimum Wages:* North, 35c. an hour; South, 30c. an hour. Provides for maintenance of wage differentials as of August 15, 1933. Prohibits decreases and reclassification. *Other Important Provisions:* Creates Code Authority. Provides for reports on shipments, orders on hand, production, inventory, amount of sales billed. Calls for filing of all sales contracts extending beyond November 24, 1933. Provides for open-price plan and prohibits violation of published price lists. Bans sales through other than established trade channels. Prohibits sales below cost as determined by approved cost accounting procedure. Prescribes procedure on invoicing, credit terms, returned merchandise, special and slow-moving products. Prohibits consignments, rebates, sales direct to consumer. Attempts to control production by a system of balancing inventories with sales.

203. Raw Peanut Milling Industry

By several separate associations. *Maximum Hours:* Clerical workers, 44 hours a week; other employees, 40 a week. Certain specified exemptions. *Minimum Wages:* Ranging from 15c.-35c. an hour, according to occupation. Clerical workers, $14 a week. Women get equal pay for equal work. Provides for equitable adjustment. Prohibits reclassification or withholding of wages. *Other Important Provisions:* Provides for National Administrative Committee and regional committees. Calls for exhaustive reports on operations. Specifies grades and methods of payment to farmers. Votes on industry matters based on percentage of total volume represented by each operator.

204. Plumbing Fixtures Industry

By 5 associations representing subdivisions of industry. *Maximum Hours:* 40 a week. *Minimum Wages:* Men, North, 40c. an hour; South, 35c. an hour. Women, 35c. an hour. Employees under 21 years, 80% of minimum. Office workers, $15 a week. Women get equal pay for equal work. Wage differentials to be maintained as of June 16, 1933. Prohibits reclassification. *Other Important Provisions:* Creates Code Authority. Provides for periodical reports. Contains extensive rules on marketing, including classification of customers, handling of orders, grading of products, credit practices, terms of sale. Provides for open-price system. Prohibits sales below cost, as determined by approved method of cost accounting. Lists among unfair trade practices violation of published price lists, rebates, false invoices, lump sum bids, misleading advertising, bribery, sale of new products to a dealer of second-hand materials.

205 and **206**—Official texts not released up to Jan. 27, 1934.

207. Ball Clay Production Industry

By United States Ball Clay Producers' Association. *Maximum Hours:* 40 a week, with certain specified tolerances. *Minimum Wages:* North, 37½c. an hour; South, 30c. an hour. Office workers, $15 a week. Provides for equitable adjustment; prohibits reclassification. Any contractors employed must pay code wages. *Other Important Provisions:* Creates Code Authority. Provides for uniform system of accounting and reporting.

208. Picture Moulding and Picture Frame Industry

By Picture Moulding and Frame Manufacturers Association. *Maximum Hours:* 40 a week, with certain specified tolerances. *Minimum Wages:* 32½c. an hour; after one year of service, 37½c. an hour. South to pay 90% of minimum. Equitable adjustment to June, 1933, basis. Women get equal pay for equal work. Office workers, $12-$15 a week. Reclassification and homework prohibited. *Other Important Provisions:* Creates Code Authority. Each division of industry to use cost accounting system approved by Code Authority. Sales below cost prohibited. Provides for filing of price lists. Lists among unfair trade practices inaccurate advertising, false billing, rebates, bribery, consignment shipments.

209. Musical Merchandise Manufacturing Industry

By National Association of Musical Merchandise Manufacturers. *Maximum Hours:* 40 a week, averaged over 4 weeks. Certain exemptions. *Minimum Wages:* Men, 35c. an hour; women, 32c. an hour. Clerical workers, $15 a week. Provides for equitable adjustment. Women get equal pay for equal work. Prohibits reclassification. *Other Important Provisions:* Creates Code Authority. Provides for uniform system of accounting and reporting. Prohibits inaccurate advertising, deceptive credit terms, false quotations or invoices, rebates, consignments, bribery.

210. Pipe Organ Industry

By National Association of Organ Builders. *Maximum Hours:* 40 a week. Certain exceptions. *Minimum Wages:* 40c. an hour. Office workers, $14 a week. Equitable adjustment to June 16, 1933 basis. Women get equal pay for equal work. Reclassification prohibited. *Other Important Provisions:* Creates Code Authority. Anticipates measures for industrial planning, including stabilization of employment. Lists among unfair trade practices inaccurate advertising, false billing.

211. Robe and Allied Products Industry

By Robe Industry Association of America, Inc. *Maximum Hours:* 40 a week. *Minimum Wages:* 32½c. an hour. Prohibits reductions and reclassifications. Contractors employed must pay code wages. *Other Important Provisions:* Creates Code Authority. Limits machine operations to 40 hours a week, with specified exemptions. Prohibits home work. Provides for uniform accounting system, joint industrial relations board, issuance of NRA labels with registration of numbers for each member. Prohibits sales below cost, advertising allowances, consignment shipments, bribery, rebates, inaccurate advertising. Specifies terms of sale and use of discounts.

212. Official text not released up to Jan. 27, 1934.

213. Wool Trade

By Boston Wool Trade Association. *Maximum Hours:* 40 a week. *Minimum Wages:* 37½c. an hour. Wage differentials as of June 16, 1933, to be maintained. Reclassification prohibited. *Other Important Provisions:* Creates Code Authority. Provides for reports on employment, wages, stocks on hand, etc.

214. Slit Fabric Manufacturing Industry

By National Association of Slit Fabric Manufacturers, Inc. *Maximum Hours:* 40 a week, averaged over 6 months. *Minimum Wages:* North, $13 a week; South, $12 a week. Differentials as of July 1, 1933, to be maintained. Women get equal pay for equal work. Reclassification prohibited. *Other Important Provisions:* Creates Code Authority, prohibits home work, provides for uniform cost accounting system, prohibits sales below cost. Lists among unfair trade practices misleading advertising, bribery, rebates, consignment shipments excepting as approved by Code Authority.

215. Official text not released up to Jan. 27, 1934.

216. Powder Puff Industry

By Powder Puff Manufacturers Association. *Maximum Hours:* 40 a week, with tolerances of 100 extra hours a year. *Minimum Wages:* 32½c. an hour. No wage reductions unless working hours are reduced 20% below June 17, 1933. Prohibits reclassification. *Other Important Provisions:* Creates Code Authority. Prohibits home work after February 1, 1934. Provides for periodical reports. Anticipates system of industrial planning and stabilization of employment. Lists among unfair trade practices misleading advertising, bribery, rebates, sales below cost. Code Authority to establish approved cost accounting system. Prescribes terms of sale and methods of handling sales of seconds.

217. Dental Laboratory Industry

By National Dental Laboratories Association. *Maximum Hours:* 40 a week with specified exceptions. *Minimum Wages:* 40c. an hour. Apprentices for one year, $14 a week. Messengers, $10 a week. Office workers, $14 a week. Provides for equitable adjustment; prohibits reclassification. Women get equal pay for equal work. *Other Important Provisions:* Creates Code Authority. Prohibits home work. Provides for regional sub-Code Authorities to administer 12 specified regions. Provides for uniform cost accounting system, cost formula and billing system. Provides for filing of price lists, terms and discounts, and prohibits violation of established prices. Lists among unfair trade practices bribery, substitutions, rebates, advertising a continuing practice of underselling competitors, false invoices.

NRA Challenge

Involved in the Connecticut manufacturers' protest against the garment code is the question of whether the petitioners come into court with clean hands.

A CAUSTIC Connecticut judge may, temporarily at least, enjoin General Hugh S. Johnson and his whole NRA staff from enforcement in Connecticut of certain wage provisions of a duly approved code, but he can't force a Code Authority located in New York City to issue NRA labels to code-breaking Connecticut manufacturers. That's the present status of a case which eventually may go down as one of the outstanding legal battles of the recovery period. It started when a group of 5 garment manufacturers with Connecticut addresses but strong New York and Brooklyn leanings, decided that the NRA code for the coat and suit industry was not adapted to their particular style of operations. They looked for a loophole through which to crawl back to the old-time method of making money out of Connecticut wages and remote-control production.

A Way Out

They though they had found the desired orifice in the fact that Baltimore manufacturers recently succeeded in squeezing into the Western code area of lower wages, saw a chance for gaining similar advantages, and so applied for an injunction against enforcement of the code in Connecticut. They argued that Baltimore manufacturers also produced chiefly for the New York market, that the advantages thus obtained by the Maryland crowd meant a diversion of $60 millions of business, that they could no longer compete unless given relief.

It looked as if the Connecticut critics had won the first round when, in December, they gained a temporary injunction against NRA and a court order on the Code Authority to furnish them with NRA labels although they proposed to disregard the code. While the injunction, as such, could be sustained, no Connecticut judge has a right to issue orders to a code authority in New York. Net result—the manufacturers made thousands of garments, paying code-breaking wages, but could not get the tiny NRA labels which today spell the difference between selling what is made and keeping it.

But Still No Labels

The second round of the fight has just finished. During the proceedings the judge registered serious objections to the use by the government attorney of such terms as sweatshop, chiselers, etc., in connection with his "native" petitioners, condemned the affidavits submitted by the government as "so much paper," continued the injunction and

ordered briefs filed Feb. 14. Still there are no labels for the Connecticut manufacturers.

Some New York garment manufacturers recall that Connecticut was in the limelight just a year ago with disclosures showing that sweatshop wages as low as 2¢ a day were being paid by itinerant garment manufacturers who were having garments for the New York market made in various Connecticut towns (*BW—Jan11'33*). The New York manufacturers must observe code wages for the Eastern area and would be placed at a decided disadvantage if other operators within easy trucking distance of the city were allowed to operate under the substantially lower wage schedules permitted in the Western area.

Baltimore Wages Argued

Meanwhile the Baltimore situation is being aired in special hearings to determine whether practical reasons exist for retaining the city's classification as a Western manufacturing point. Objectors hold that it should be returned to the Eastern high-wage area because of the active competition of many Baltimore manufacturers in the New York market.

Government officials are said to be but slightly disturbed over the Connecticut proceedings. While, as yet, no case involving the legality of the National Recovery Act has reached the Supreme Court, decisions in several cases indicate the trend of judicial thinking. In Texas a judge recently ruled that NIRA supersedes the Texas anti-trust law and acknowledged the right of the federal government to regulate local commerce in order that interstate commerce may be protected. Other cases of similar significance have been decided in the New York, Oregon and Colorado courts. Furthermore, during the pre-NIRA era, decisions by the Supreme Court of the United States in two cases, Wisconsin Railroad Commission vs. C.B.&Q. Railroad Co. (257 U.S. 563) and United States vs. Ferger (250 U.S. 199) upheld the power of the federal government to regulate local business for the protection of interstate commerce.

Furniture Pickup

DESPITE a decline which lasted through April, the furniture industry managed to throw off its enforced lethargy in 1933 and end the year with manufacturers reporting 19% more orders and 13% more shipments than in 1932. December showed increases of 23% in orders and 37% in shipments. The trade is feeling a lot better despite the fact that December plant operations, 5 points over December, 1932, were still at 47% of capacity, while 1933 bookings and shipments were still 61% and 63% under the 1927-32 average.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

EVEN potatoes can now be had ready for the hurried (or lazy) housewife. The Ogden Cannery peels and pressure cooks them, ready for salad or hashed browns.

DOBBS, which last month introduced a new method of attaching the leather to a hat (the "Cavanagh Way") so that the hat fits better, does not stain through, promises a new extra light felt for spring and summer use. Called the "Hankachif Felt," it weighs only 2 ounces, no more than a full-sized men's handkerchief.

A NEW rubber sponge is hollow, filled with cleaning powder. When used, it is merely dipped in water, squeezed out, which brings enough of the cleaner to the surface to take the ring off the bathtub or polish the faucets. Made by Expello (mothkiller).

STANDARD Brands is selling a private brand of coffee through Woolworth's at 20c the pound. Some units feature it with special booths and demonstrators.

WILLIAMS Oil-O-Matic sells its oil burners with subtlety in the Chicago area. Recently, it offered a coal shovel free to coal-burning home owners. Perfectly good shovel. But every time the master (or mistress) of the house stokes the fire, this slogan on the handle gets in its work: "Oil-O-Matic costs less—no shovelling."

REPEAL has given a big boost to home parties. Most complete entertainment appliance to date is the "Kookette" which is bar, buffet and switch board for the coffee pot, waffle iron, and chafing dish (see picture).

BOSTON Food Products Co., whose "Prudence" corned beef hash is known the country over, has evolved a companion product: beef loaf, with gravy.

To the hundred and one ready-to-eat breakfast foods, add another: "Yeasties," made of wheat flakes sprayed with brewers' yeast after toasting.

COLONIAL STOVE CO., is ready to market kitchen ensembles which put modern straight-line production methods into the kitchen, which can be sold like any other household appliance. Built of porcelain-steel, the units do not become a part of the real estate; finance companies will handle the paper therefore, as repossessions are possible. Modernization may be complete or units may be acquired one by one.

Germany's Debts

Short-term creditors at February meeting may be threatened with partial transfers as means of bargaining down interest rates.

BERLIN—Germany's short-term creditors are to meet in Berlin on Feb. 5 to discuss with representatives of German banks the terms of what will be the fourth "standstill" agreement.

The amount of foreign credits covered by the standstill agreement now in force (it became effective Mar. 1, 1933) has been reduced substantially compared with the original amount. When the first standstill was negotiated in September, 1931, outstanding short-term credits totaled 6.3 billion marks. At the beginning of the current year, the total was approximately 2.5 billions. Since last September, Germany's debt, according to current estimates, has been reduced by about 500 million marks merely through dollar depreciation. Probably about one-half of the 2.5 billion marks to be considered in the pending conference represents self-liquidating acceptance credits for the financing of German foreign trade. These will be maintained, no matter what other problems arise at the meeting.

The "Register Mark"

Technically, the agreement has functioned satisfactorily. In particular, the introduction of the "register mark" in the last standstill agreement as a means of liquidating short-term debts immediately at a moderate loss to the creditors has worked, on the whole, very well. For the last few months, liquidation of register marks has been going on at the rate of approximately 30 million marks a month. About one-half of these marks were used for tourist traffic and the other half for the financing of "additional" German exports. American banks have been particularly eager to liquidate part of their balances in register marks, while British and Dutch creditors have been reluctant to take a loss and have less generally availed themselves of this opportunity.

The main problem which the new standstill conference will have to face is an adjustment of the present agreement to the new transfer moratorium, which reduced the transferable interest quota on long-term obligations from 50% to 30%. Creditors are in Berlin now stubbornly insisting that Germany is capable of meeting more of this interest liquidation than Germans admit.

Under the old moratorium, interest on all short-term credits which came under the standstill agreement was transferred in full. Certain of Dr. Schacht's statements recently, in connection with the reduction of transfers on the long-term debt, indicate that Germans are not willing to maintain this position.

Japan—Foreign Trade Bogey

Threatened by a flood of Japanese imports, foreign nations are shutting themselves up in economic blocs.

JAPANESE products are underselling domestic goods in most of the world's markets, but the problem is beginning to be as much a matter of worry to the Japanese as it is to the other countries concerned. So long as sales expanded and new markets loomed, everything was lovely for the Japanese manufacturer. When foreign countries began to send notices to Tokyo that they would terminate existing trade agreements it became serious.

It has been proposed in Tokyo that the country's foreign trade be placed under government control in an effort to make reciprocal trade bargains. It is suggested also that exports be managed so that there can be no claims of "dumping." Certain groups of manufacturers would raise their prices so that the Japanese quotations would be just a little below those of competing foreign products rather than 20% or 30% as is sometimes the case now.

Both Sides of the Yen

Foreigners contend that Japanese competition gets its advantage from two factors: extremely cheap labor, and excessive devaluation of the yen. Japan admits both but maintains that the Japanese worker lives as happily on what he earns as the average worker in other countries. Yen devaluation, says the manufacturer, hinders as well as helps. While Japan is largely self-sufficient so far as the immediate needs of the common worker are concerned, most major materials for industry are imported and Japan suffers when paying for these raw materials in devaluated yen. The yen is at present worth less than 40% of its former gold value.

There is another factor which must not be overlooked. The Japanese have been clever in adopting Western machine methods, without at the same time running up labor costs.

Cotton Goods

No industry has made more rapid strides than the cotton textile business, though Japan is almost entirely dependent on imports of foreign raw cotton. Last year, Japanese exports of cotton goods exceeded those of Britain for the first time in history. Even earlier than this, the Lancashire industry was astonished when one of its members imported some of the most highly improved looms from Japan, found them superior to the British equipment for producing coarse goods.

Britain is losing old markets. British India was slipping fast when the British encouraged the Indians to impose the excessive tariffs of last fall which resulted in the long-drawn-out sessions between the Japanese and the Indians at Simla. They have ended now, and Japan has agreed to purchase a fixed amount of raw cotton from India in return for a definite export quota on the Indian market.

While the negotiations were under way in Simla, Manchester manufacturers were paralyzed when they received word from London that the Japanese were delivering to department stores a fair grade of white shirts for men which could sell for about 25¢, in comparison with the similar British product selling for about $1.25.

Widespread Effects

In Egypt and East Africa and Australia, British manufacturers were running into the same problem. The Dutch have complained of the situation in the Dutch East Indies. Located nearer Japan than Holland, peopled with natives whose standard of living is low, they have provided a fertile market.

More than neighboring markets have been penetrated. Los Angeles and San Diego, heart of the tuna fish industry of the United States, sent up a cry more than a year ago that Japanese imports were ruining their $30-million business in which 12,000 were directly employed. California can supply annually 1.6 million cases of tuna fish for domestic consumption. In 1932, Japan shipped 200,000 cases into the United States. In 1933, imports from Japan rose to 600,000 cases. It costs about $5 for a California packer to place a case of tuna on the shelves of the New York jobber. Japan can lay down tuna in New York warehouses at $2.

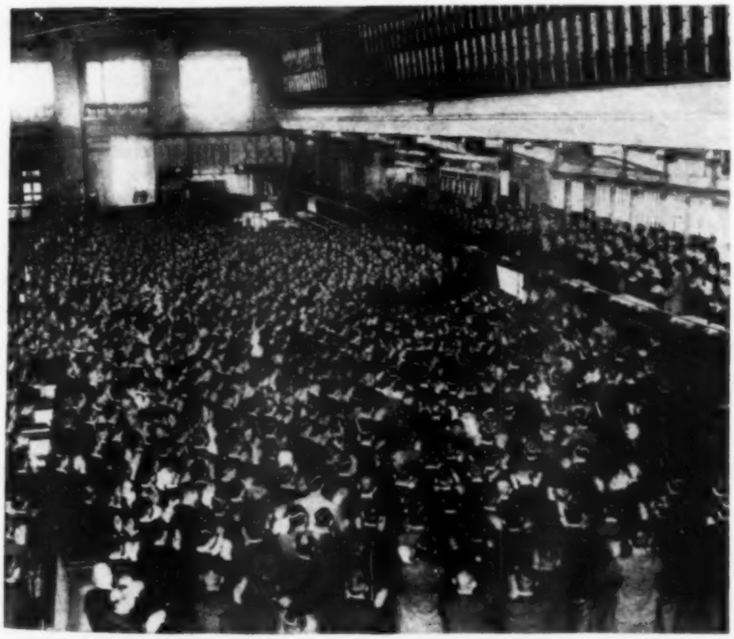
When Japan's 3 largest paper-producing companies were merged last year, bringing 90% of the country's production under single management, it was announced in Tokyo that the new organization would concentrate on exports; that during the summer an American newspaper on the West Coast had placed a trial order for newsprint in Japan.

French Silk Licked

Marseilles dealers reported recently the arrival from Japan of artificial silk kimonos which could be purchased for one-sixth the price of the French product before the duty was applied. Antwerp and Hamburg jobbers declared they were able to get Japanese textiles at less than European prices.

The flood of inexpensive goods pouring out of Japan is not confined to a few items. It includes, besides textiles and electric light bulbs, all kinds of toys, porcelains, pearl buttons, rubber specialties, rayon and cotton yarns, firearms, soap, beer, chemical products, bicycles, watches, and fish products. Foreign competitors claim they are undersold all the way from 10% to 60%.

Three bills will come before the present session of the Japanese Diet. One would give the Ministry of Com-



Wide World

JAPAN'S BIG BOARD—Tokyo's stock exchange opens with great activity after a five-day holiday over the new year. A few days earlier, the government forced reorganization of the exchange directorate following public scandal.

merce and Industry the power to restrict the volume of exports of a given product and possibly to prohibit exports when it is known that a foreign government will act against them. The second authorizes the government to force the creation of export guilds in various industries if this seems necessary for the good of the country's export business. The third measure would give the government the power to negotiate the country's tariffs on a "retaliatory basis."

Regulation of foreign trade has not come soon enough in Japan to prevent serious restrictions or embargoes against her products. It has come as quickly as a rationalization of foreign trade in most countries. The International Labor Office in Geneva has already announced that it will make a study of comparative labor costs in Japan and a half dozen other leading industrial countries which should produce the first large-scale and accurate study of a serious current problem.

In the meantime foreign countries whose markets have been inundated by Japanese goods are raising tariffs, threatening quotas, or demanding reciprocal trade arrangements with the Japanese. It is all a part of the general reorganization of world trade, but few persons beyond the manufacturers who have been hit are aware of the significance of Japan's very advantageous position in world competition. It is the greatest single force behind the current trend toward great economic blocs

Russia Pays Up

Exporters, eager for business, scan Russia's record of payments, mounting gold reserves, and expanding gold production. Germany will be paid off this year.

WITH Washington likely to announce within the next few weeks a New Deal for foreign traders, and with everyone expecting a spurt in Soviet business as soon as the announcement is made, attention is centered on the credit situation in Russia.

When the Amtorg Trading Corp. made its last formal statement on outstanding credits at the end of last year, it was revealed that the Soviets owed Americans less than $22 millions on more than $500 millions of business placed in this country since the Soviets came into control of Russia.

The last statement of the State Bank of Moscow showed that the gold reserve had mounted to $416 millions as of Oct. 1, 1933, in spite of the payment of more than $136 millions in gold to Germany during the year.

Russia's Gold Output

This statement focussed attention on Russia's gold output. In 1932, production was listed at $41 millions. Last year, it exceeded $52 millions, probably pushed Russia ahead of the United States as a world producer.

During the last 2 years a greater volume of Soviet business was placed in Germany than in any other country. Orders in 1930 and 1931 were also large. All of this was due to the fact that German manufacturers offered especially favorable terms to the Russians, and because the Soviets were aided in making payments by the large sales of Soviet raw materials in Germany.

Business Week's Berlin correspondent has just rounded up information for a year-end summary of Soviet-German business. Total Soviet obligations maturing in Germany in 1933 amounted to 750 million marks. The Soviets were prepared to meet a part of this debt with the mark balances they accumulated in Germany as a result of their sales there. In addition, they were able to purchase "blocked mark" accounts in a number of world financial markets at a discount of 15% to 25%. This they did, because it virtually reduced their indebtedness by 20%. Germans, however, protested accepting more than a fixed amount of these payments in blocked marks and suggested rather that the credits in some cases be extended for another year. Against these new short-term commitments, Russia pledged future shipments of gold and certain raw materials such as oil and manganese ore. These extended credits come due in monthly instalments between April and December of this year.

As a result of the special arrangements between debtor and creditor, Russia actually paid Germany last year 553 million marks. Still to be paid in 1934 are 685 millions. This will complete Russia's major obligations to Germany.

Stalin Clears the Air

As long ago as November, *Business Week* estimated Russia's total foreign obligations at $325 millions (*BW—Nov18'33*). Stalin settled the question definitely in his Christmas interview with Walter Duranty when he declared that the Soviet owed only 450 million rubles (about $225 millions gold) to foreign creditors, compared with 1.4 billions 2 years ago. He added: "We can wholly clean up present obligations by the end of 1934 or early in 1935, as they fall due."

Business Abroad

Confronted with a definite gold buying program in the United States, Europe is uncertain of next moves. France is shaken by worst governmental crisis in years. Germany makes concessions to creditors, pending a new conference to be held in April.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Not in many months has Europe been at such a critical crossroads as the one she reached this week.

President Roosevelt's gold buying policy was announced too late to estimate accurately the effect it is going to have. Most of all it confronts the gold standard nations with a problem of greatest importance. Already there has been a significant drain of gold from France which is worrying not only the French but the British who fear it will start a rush of capital and gold to the United States which will not easily be controlled. Holland, more than any other member of the gold group, is likely to show the first signs of weakness.

Only a little less important is the political crisis which has developed in France. The Chautemps government has fallen, not because it failed to get a vote of confidence from the Chamber, but because the public demonstrations against it became so violent. Inability of the President of the Republic to find a suitable leader for a strong coalition is serious. No one believes that the present cabinet can last, yet no one looms as a power sufficiently strong to form a coalition that can deal firmly with the present crisis.

France, at the very moment the franc needs the strongest kind of action at home, when the country should be prepared to deal firmly with Berlin in the demands over disarmament, trade, and the Saar, when the situation among the French satellites in southeastern Europe requires constructive leadership, when the League of Nations is exerting the least weight in its history, is engulfed in a domestic crisis of the first magnitude.

Germany, in contrast, is moving swiftly with a single purpose. Hitler, in an anniversary meeting of the Reichstag this week, won complete control over state governments in Germany. Disarmament demands sent to Paris are specific, unyielding, and include a firm demand for repossession of the Saar. The non-aggression pact with Poland eases one of the most tense of the country's foreign problems. The evident rise to power of the Nazis in Austria assures Germany of future power in the southeast. The compromise with creditors at the Berlin meeting wipes out an earlier threat to reduce transfer payments, but the agreement is to run only until April, when another conference will be held, with all parties devoting the intervening period to a study of the situation. Germany's concession raised the interest which will be paid on long-term bonds above the level threatened in December.

Britain looks for the pound to drop to about $4.75 in relation to the new dollar rate. Holland warns that the rubber restriction conference has not yet come to terms on all points, that no restriction scheme is likely to get under way before May. Spain has announced plans to regulate imports on a quotas basis. France listened meekly to the stern demand from Britain that quotas on British goods be raised or that France be prepared to expect retaliatory tariff discrimination at the hands of the British.

International News

UNDER THE SICKLE AND HAMMER—San Francisco sees the first ship in American waters to fly the Soviet flag when Russia's recently-purchased motor vessel—*Soyuzpushnina*—provisions at Oakland for the voyage to Vladivostok. The name means Soviet Fur Trading Co., and the vessel will be used in Siberian waters.

Germany

Reich studies balance of payments with individual countries in working out interest payments.

BERLIN (*Cable*)—Until recently the Reich's estimates of the balance of payments have dealt principally with the country's total balance. Recently, since the payment of foreign debts and transfer of interest and principal to individual countries have been closely tied up with the balance of trade, Germany has been devoting considerable attention to balances with individual countries.

When Dr. Schacht made his declaration recently that Germany would be able to meet only 30% of the transfers due in interest on the long-term debt, the British declared they would set up an office in London to control foreign exchange bound for Germany and deduct the amount due British creditors unless Germany reconsidered. Germany has a favorable balance of trade with the British. A similar situation exists in the trade with Holland and Switzerland. That is why the Dutch and the Swiss have been able to obtain preferential treatment and 100% redemption of German scrip during the past year.

Berlin Studies Trade Balance

The special attention which is now paid to balances of trade and of payments with individual countries prompted the German Statistical Bureau to venture an estimate of these balances. In the case of the United States, Germany's debit items for the year 1933 were: trade balance (excess of German imports over exports)—200 millions marks; interest payments (net)—400 millions; reparations (cost of the Army of Occupation)—100 millions; capital

movements (mainly repatriation of German bonds)—200 millions. These expenditure items total 900 million marks while Germany's only receipt item is the net balance in respect of services, which is estimated at 100 millions. This leaves a net deficit for Germany on her balance of payments with the United States of 800 million marks for 1933.

It is of interest that the same study revealed that Germany had an active balance of payments with France of 500 million marks, with Italy of 100 millions, with Great Britain of 100 millions, and of 500 millions with the smaller states of northern and western Europe.

International News

UNCLE SAM'S CHOICE—Carlos Mendieta, Cuba's new president, cheered by Havana throngs on the day he took the oath of office. With him at the helm, the United States has offered to advance financial relief, reconsider sugar quotas.

France

Paris faces most serious political crisis in many years, brought on by revelation of financial scandals. Business likely to react.

PARIS (*Wireless*)—Boulevards in Paris, Nice, Bayonne resounded this week to the shouts of frenzied rioters headed by the enthusiastic followers of the Royalist party and eager to force a change in the government of France. They have been successful. The Chautemps government has fallen, the first to go down since 1923 without an adverse vote in Parliament. Accusations against government officials following the scandal in the Bayonne pawnshop, and other irregularities in which dignitaries are involved, brought about the crisis.

France is faced with the most serious situation in many years. A nondescript government has been formed by a former premier, M. Daladier, but no one believes that it can last for long. The general feeling is that the majority of the members are mere opportunists willing to espouse any cause for the dubious honor of being in the cabinet. It seems now that, if the present cabinet should win the support of the Chamber, more public demonstrations will be held and more changes in government demanded.

Greatest of all the present difficulties is the total lack of any political leader in France who is able to set up even a semi-dictatorship, the one solution, in the minds of many, of France's present difficulties.

French Public Is Nervous

Indicative of growing public distrust is the statement this week concerning the first section of the treasury issue which was offered to the public during January. Only 3.5 billion francs were subscribed, out of 5 billions, and it is generally understood that the major portion of the offering will be forced on public institutions and banks since the public is almost totally abstaining from purchasing any of the bonds. The Stavisky affair and the other public scandals which it has brought to light have shattered the confidence of the masses in the government.

Year-end industrial reports show that iron and steel production was slightly greater in 1933 than in 1932, but January figures reveal that unemployment is increasing. Striking textile workers in the Lille district are indicative of far more general labor troubles expected throughout the country as employers attempt to force down wages before the cost of living is reduced.

Great Britain

Young British balk government's desire for return to old individualism; demand Planned Economy. Britain threatens tariffs when British products are banned.

LONDON (*Cable*)—There was a break this week in the confidence which has dominated business for several months. England is always nervous when the Austro-German situation gets tense. To this is added now the fear that the uncertain position of the French government will cause a flight from the franc. Finally, there is the prevailing uncertainty over the effect of the Roosevelt monetary policy.

F. C. Goodenough, chairman of Barclays Bank, probably summarized the situation as the City sees it when he denounced the commodity dollar experiment in his annual address to shareholders. He stressed the desire of the British that the world return "to the gold standard, and to the individualism of a past generation." Young England is not thinking this way at all, as is evident in the growing number of simulated Fascist groups. The trend of more youthful thinking is towards Planned Economy, always spelled in capitals. Much will depend in the next 12 months upon how far the City still retains its old power to sway the government departments. That power has waned enormously, but it is still potent.

The attempt of Lord Rothermere to swing his mass circulation newspaper readers to Fascism goes strongly forward under the plea that the young men must have their chance and that British Fascism is something quite different from the Italian and German brands. No violence, and no attack on Jews, trade unions, or Freemasons is guaranteed by Rothermere, who is, of course, in a position to guarantee nothing. However, the effect of this press campaign has been to put Oswald Mosley on the political map, and to make the result of the next election—say 3 years hence—less certain than it was. The prospects as they affect business are now more strongly toward Nationalism and self-sufficiency than they were, unless the Fascist rally splits the Imperial Right-wing vote, and allows Labor or some form of revived Liberalism to snatch an electoral victory. If the fear of Fascism grows it will hasten the lagging reorganization schemes which have been long in hand without becoming real, such as the creation of the new Steel Association, and the creation in actuality of the new mid-term credit bank for small borrowers.

London Warns Paris

Foreign trade, always vital to the Englishman, created a stir this week. Following the action a few weeks ago of the government in demanding that France give the British the same privileges on the French market as were

given the United States, there was a second protest this week, worded much more firmly. Energetic Walter Runciman, president of the Board of Trade, told France that exactly 10 days would be allowed for quotas on British goods to be adjusted or Britain would retaliate with increased tariffs on French goods.

Immediately after this ultimatum was sent to the French, Minister Runciman visited Lancashire, issued the statement that one more attempt would be made to negotiate a new trade treaty with Japan which would guard the British textile industry against "excessive competition." After that, if it fails, Britain will raise tariffs against Japanese goods.

Shell To Build Tankers

Another indication of the changing attitude toward foreign business came from the Shell Oil offices this week when it was noised abroad that Shell is contemplating terminating its long-time charters on 80 Norwegian oil tankers and building its own fleet. New tankers would be built in British yards over a period of 8 years with a total outlay of $5 millions.

Trade talks with Russia are progressing. It is reported this week that Moscow has suggested that the Lena Goldfields case be reopened in Moscow. If the accompanying terms are acceptable to the British, it is likely that the new trade pact will no longer be held up because of the inability of the 2 countries to settle the old concession disagreement.

Steel executives, bickering among themselves over final terms for an all round rationalization of the industry, were warned again this week that tariffs on steel will not be extended next fall unless the industry has come to some agreement. Likewise, wage negotiations among rail workers are again a matter of concern. Little mention has been made of the new impasse, but it is known among the better informed that a general rail strike is not impossible this year unless some agreement is reached.

Canada

Lumber industry expects to export larger volume to Britain following London's curtailment of Soviet quota. Industry is expanding.

Few Canadian industries are participating more actively in the general business recovery than lumbering. Production continues to expand and exports have been maintained. News from London this week that the British government has reduced the Soviet lumber quota led Canadians to believe that they would benefit. Exports of lumber to Britain last year amounted to 420 million bd. ft. With Soviet imports curtailed, Canada expects to increase this volume by 25% in 1934.

December production figures in a number of industries have just been released. Pig iron production was up 31% compared with November, more than 43% compared with December, 1932. Steel output was 84% above the total a year ago. Automobile production jumped ahead in December, pushed 55% above the level for December, 1932. Building permits are increasing, but the record for 1933 is still low. The steady increase of electric power output and carloadings are perhaps the 2 brightest indicators because they reflect quickly the tempo of business.

Greatest activity is in the industrial east and the lumbering region of the west. Prairie districts are still slow to show any striking signs of recovery though collections on current sales are better. Government loans to the provinces now exceed $44 millions and should begin to be reflected in purchasing power.

In the districts where retail sales have improved most, food products, furniture, electrical appliances, and hardware register the largest improvement in volume.

Far East

Business expands in Japan. Exports increase. Commodity prices up; stocks firm.

Conditions in the Far East have changed little during the week. China is still somewhat unsettled by the fighting in Fukien and by the fresh threats of floods in the Yellow river valley. Japan continues to report business expansion.

Outstanding among the reports from Japanese industry are those from the rayon section where profits of certain companies during the last quarter of 1933 brought earnings for the year to 70% of paid up capital. Further expansion is under way though there is some worry over threats that Dutch Indies markets will be reduced by tariff increases (page 27).

Despite the wide variety of new products exported to the United States, and the increasing numbers of buyers from that country now visiting Japan annually, the balance of trade between the 2 countries last year was in favor of the United States.

Shares on the Tokyo Stock Exchange have been steady since the first of the year. Bonds have been slightly up in recent weeks. The general rise in commodity prices has spread to silk but has not yet raised prices sufficiently to bring much relief to the depressed silk industry.

Latin America

Credit rating of Latin American countries improves. Cuba gets U. S. relief loan. Bogota places dam contract with Portland firm. Uruguay abandons foreign exchange control.

Credit conditions in Latin America are improving.

When the National Association of Credit Men released their statement last week covering the last quarter of 1933, 15 countries on the list registered improvement over the previous quarter, and only 4 of the 21 countries surveyed showed declines in rating.

Puerto Rico, Mexico, Venezuela, and the Argentine were rated as "fairly good." A "fair" rating was given to Panama, Brazil, and Guatemala. Among the countries which were classified as "poor" credit risks, Costa Rica, Peru, Colombia, and Salvador were specified as "improving."

Loan for Cuba

Cuba is mending. With the accession of President Mendieta and recognition by the United States, plans are now being made for a relief loan to the Cubans of about $10 millions, all of which will be spent in the United States on the purchase of foods from surpluses under government control. Further cooperation with the new Cuban government is expected. Little has come out of Havana yet to indicate the moves which the new government will take to ease the labor tension in the island.

The steel industry is perturbed over the confirmation from Mexico City that the contract for 25,000 tons of piping for the reconstruction of the city's water system was won by Japanese bidders against a formidable array of foreign competitors, including a number from the United States. Reports in New York claim that the Japanese entered the contest backed by a sizeable "war" chest supplied by the Tokyo government to assure them the contract.

Contracts Awarded

Construction on the Mexico City–Laredo highway is expected to continue with the backing of a new 12 million peso government bond issue.

It is reported from Bogota, Colombia, that the Sanders Engineering Co., of Portland, Me., has been awarded the $800,000 contract for the construction of a dam for Bogota's new water supply reservoir. Contracts for a filtration plant and distribution system have not yet been awarded.

During the week, Uruguay announced that governmental control of foreign exchange would be abandoned after Feb. 1 except for the sale of export drafts. This follows the example set by the Argentine a few weeks ago which resulted in a rise of commodity prices.

Money and the Markets

Devaluation overshadows the routine news of the money markets. The routine news is that bankers are still cautious. Rally continues in bonds and gains momentum in stocks. Commodity advances cheer the farmer.

Money

OVERSHADOWING all else in the money markets this week was discussion of the President's move in devaluing the dollar (page 7). Although perfectly in line with the powers recently conferred upon him by Congress, still the actual setting of the gold value of the dollar at 59.06% of its former parity came as a shock to many of the more conservative bankers and business men.

Meanwhile, the government is doing its best to see that business is well supplied with credit. But business still finds difficulty in obtaining the accommodation it needs. The commercial banks are the bottle-neck restricting the free flow of money into industry. It is an old cry, but critics are finding strong evidence for complaints that the banks are slowing recovery and partially offsetting inflation efforts by the stand they are now taking. Having been liberal when they should have been cautious, the bankers have become cautious when they should be liberal. It might be better to leave the barn door unlocked after the horse has been stolen—he might return home.

This cautious attitude is written all over the report of the weekly reporting member banks in 90 leading cities. During the week ended Jan. 24, U. S. government security holdings rose by $22 millions, reserves with Federal Reserve Banks rose $73 millions, but all other (than security) loans dropped $19 millions. The comparison with the figures of a year ago is even more striking. All other loans are down by $273 millions over the year, while holdings of government securities mounted by $254 millions.

In other words, despite the large excess reserves and the almost certain prospect that these reserves will be added to by the action of the present monetary policy, and despite the coming of deposit insurance, bankers are still weeding out loan and investment portfolios and what little money they are putting to work is going into short-term government securities. In view of the fact that, with prices and business now definitely on the uptrend, risks are lower than in years, credit should be loosened. And if it is not released through the ordinary channels, then the bankers should not complain of growing federal competition.

If all the various units of the federal government engaged in performing banking operations were brought together under one roof they would form the country's super-bank. The only thing lacking would be the tellers' windows where demand deposits might be made. And even this function is not entirely out of the picture. There are large areas in this country devoid of banking facilities of any sort. Thousands of people have no nearby place to deposit their money for safekeeping and ordinary transactions must be made in cash, for checks cannot easily be cashed

Figures of the Week

BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1929-1933)
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*66.4	†66.6	54.5	80.0
PRODUCTION				
★Steel Ingot Operation (% of capacity)	34.4	32.5	19	51
★Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis)	$7,694	$7,955	$3,446	$9,142
★Bituminous Coal (daily average, 1,000 tons)	*1,205	1,230	1,069	1,490
★Electric Power (millions K. W. H.)	1,611	1,625	1,470	1,663
TRADE				
Total Carloadings (daily average, 1,000 cars)	93	93	83	119
★Miscellaneous and L. C. L. Carloadings (daily average 1,000 cars)	59	57	53	74
★Check Payments (outside N. Y. City, millions)	$2,842	$3,061	$2,509	$4,395
★Money in Circulation (daily average, millions)	$5,603	$5,656	$5,620	$5,027
PRICES *(Average for the Week)*				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.85	$.86	$.43	$.80
Cotton (middling, New York, lb.)	$.116	$.115	$.061	$.121
Iron and Steel (STEEL, composite, ton)	$32.42	$32.42	$28.54	$32.34
Copper (electrolytic, f.o.b. refinery, lb.)	$.079	$.081	$.048	$.111
All Commodities (Fisher's Index, 1926 = 100)	72.5	72.1	55.5	77.8
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,641	$2,656	$2,080	$1,540
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,396	$16,447	$16,631	......
★Commercial Loans, Federal Reserve reporting member banks (millions)	$4,713	$4,732	$4,986	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,498	$3,486	$3,662	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$779	$758	$378	$2,286
Stock Prices (average 100 stocks, Herald Tribune)	$103.98	$103.20	$84.98	$133.86
Bond Prices (Dow, Jones, average 40 bonds)	$89.24	$88.62	$80.53	$89.23
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	1%	1%	1%	3.1%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1¼-1½%	1½%	1¼-1½%	3.7%
Business Failures (Dun and Bradstreet, number)	315	333	702	637

*Preliminary †Revised ★ Factor in *Business Week* Index

So agitation is growing, particularly in the farm states, to have the post offices accept demand deposits transferable by check. As there are some 48,000 post offices in the United States, this would be branch banking on a huge scale and a type of competition that commercial banks would find most difficult to meet in their solicitation of small accounts.

Bonds

MEETING an apparently insatiable investment demand, bonds continued to soar throughout most of last week. The advance was on a broad front, all types of issues, including those not listed on the exchange, participating. It was led as usual by the wide-swinging speculative rail group, but industrials and utilities were not far behind and even municipals were aided. The rally, in fact, was almost more impressive than that which was occurring in stocks.

To illustrate just how far the present market has gone the following figures may prove helpful. The 10 bonds included in the Dow-Jones list of second-grade rails moved upward no less than 11.2% during the month of January, have advanced 31.7% since the movement began on Nov. 22. The gain in industrials works out to 7% during the month and 13.1% during the rally. On first-grade rails the advances are respectively 3.9% and 12.7%, on public utilities 3.5% and 5%. Foreign dollar bonds, as measured by the index prepared by Baker, Kellogg, rose 7% in January and have climbed 10.6% from the low of Nov. 29.

The movement of the latter index is particularly interesting in view of the rather unusual activity in foreign bonds. Low market quotations plus exceptionally favorable exchange rates make it profitable for the issuers of many of these obligations to buy up large portions for retirement. In so doing, of course, they tend to push up prices and, at the same time, reduce the supply of all bonds available to investors.

The limitation of transfer payments has also served to create a unique situation in German bonds which were rising briskly as the month closed. On the first of the year an announcement was made that these payments—actually interest on Germany's long-term debt—were to be reduced to certain countries, including the United States, from 50% of the full amount to 30%. Our government objected and a conference on the matter has just been held in Berlin. The final decision was to keep the cash payment at 30% but to increase the amount that would be paid for the scrip issued for the remaining part of the interest. Scrip will now be purchased at 67% of its face value which means that the bondholders will receive a total of 76.9% of their interest in cash during the first half of 1934, with later payments to be decided at a new conference to be held in April.

Railroad issues have undoubtedly been aided by the new attitude the government has taken toward its advances to the carriers. At first the RFC came forward to help worthy roads in need of financing by making short-term advances, usually not more than 2 to 3 years. Then PWA, in its attack upon unemployment, offered for the purchase, construction, or repair of equipment loans that would have a maturity of from 10 to 20 years. Here, too, was the added feature of amortization payments that not only would extinguish the loan by maturity but also express the government's theory that all railroad obligations should be reduced out of earnings rather than simply be refunded when due.

The third step was the recent suggestion made by RFC Chairman Jesse H Jones to the Senate Banking and Currency Committee that the RFC Act be amended to permit loans beyond the present 3-year maximum, possibly for as long as 10 years. With this authority, the corporation would make arrangements to underwrite such issues as the roads might make to meet maturities during the current year. As rail maturities will total nearly $449 millions in 1934, this underwriting should lend great strength to the rail list and, indirectly, to the bond market as a whole.

But basically it is increased confidence in our monetary standard and real improvement in business conditions that have been instrumental in releasing domestic and foreign funds for investment in our market. Speculative trading exists, of course, and probably in greater volume than for many months past. Still, only a genuine investment demand could have such a broad effect, could lift so many bonds to new highs as have been recorded during the present movement.

Stocks

ALTHOUGH punctuated by spells of profit-taking, the great stabilization rally appears to be gaining momentum. Interest in the market has gained considerably and activity is greater than at any time since last July. It would seem that we are in one of those periods of accumulation that accompany a major move to higher levels. It also looks as though stabilization and devaluation have at last awakened the public to the fact that

inflation is really here—and that common stocks offer one of the best hedges against inflation.

Over the week the best gains were made by the railroad shares. Heartened by a steady increase in carloadings, now topping both 1933 and 1932 figures, by the earnings improvement announced by many of the roads, and by the strong probability that the RFC will underwrite refunding bond issues, shares of almost all carriers were strong.

Selectivity ruled in the industrial group. In certain of the specialities a very thin market developed and prices were inclined to dip upon the selling of any substantial blocks. In other cases—and particularly in stocks of the investment grade—offerings were easily absorbed and prices pushed through to new high levels.

Some indication of how those in the business look upon the present market from the standpoint of activity, at least, is found in the recent sale of a seat on the New York Stock Exchange. Its price of $190,000 marks an advance of $40,000 from the last sale and is one of the biggest single advances ever recorded.

Commodity Markets

Speedy passage of the gold bill gave unmistakable buoyancy to commodity markets. The midweek daily price index of the *Journal of Commerce* reached 60.4 on Wednesday against 59.4 a week earlier. Grains, livestock, foods, and textiles participated in the advance, but metals declined.

The farmer was the greatest beneficiary of the week's advance. Hogs at Chicago rose from 25¢ to 30¢; the heavier type steers were higher, but the lightweights remained unchanged. Since Dec. 1 hogs have advanced from about $3 to $3.70, not much of an advance when the heroic efforts of the AAA are taken into account, but cheering when it is remembered that most of it was made in one week. May wheat went to 93¢, in contrast with 90¢ the preceding week, but on Wednesday fell off to a closing of 91⅞¢. May corn, on Wednesday, closed at 52⅜¢ against 52⅛¢ a week earlier. Hides continued to advance, March deliveries now selling at 10.95, up 25 points.

Dollars and Prices

Next to the farm products, the international commodities, excluding the metals, enjoyed the best gains. It is not easy to relate these advances to the dollar. In terms of the price of gold in London (and of sterling in New York), the dollar fluctuated within narrow limits, touching a low of 62, a high of 63.1, with the noon quotation of Wednesday standing at 62.45. This was before the President announced a $35 price for all gold equal to a 59.06¢ dollar. But the March delivery of rubber at one time reached 10.41¢ a pound, and closed on Wednesday at 9.95¢ against 9.60¢ a week earlier. The advance and subsequent decline are barometers of the restriction negotiations now under consideration in Amsterdam. Other advances for the week were: March delivery of cocoa to 4.77, up 27 points; March Rio coffee to 7.20, up 17 points; Santos coffee, to 9.68, up 9 points; sugar to 1.46, up 0.04 points; and silk for February delivery to $1.46, up 6¢. Metals, on the other hand, made a dismal showing. Copper at 8¢ is ¼¢ lower. Lead, tin and zinc were soft.

The relation between the purchase price of gold and commodity prices continues to be a battleground for statisticians. Melvin T. Copeland reports in the publication of the Harvard University Graduate School of Business Administration that from Oct. 22 (when the President announced a program for devaluing the American dollar by bidding up the price of gold), to Dec. 30, the price paid for gold by the United States government went up 16%, and that international commodities showed very little relation to that increase. Of the non-ferrous metals, copper went up 9%, lead was unchanged, zinc dropped 8%, tin rose 14%, and silver went up 21%. Other international commodity prices showed similar divergencies. Raw sugar declined 5%, rubber rose 26%, and wheat advanced 8%. Dr. Copeland concludes, "The cold facts prove that over a 2-month period prices of the most sensitive commodities have not risen in accordance with the changes in the paper value of gold, and the lack of correlation cannot be explained by seasonal factors."

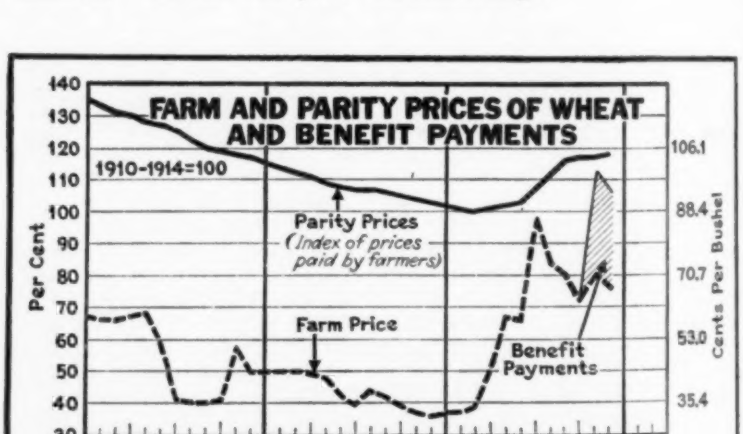
It should be pointed out that Professor Warren's (*BW—Jan27'34*) and Dr. Copeland's conclusions differ because of different timing. Dr. Copeland took only the 2 months after we started to purchase gold, while Dr. Warren took the period beginning with last March, when the dollar began to decline on foreign markets. The Presidential advisor found that during the 10-month period the gold price advanced 56% and carried with it an advance of 36% on 45 basic commodities.

The United States Department of Labor reports the strengthening of wholesale prices for the week ended Jan. 20 to 72.3% of the 1926 level, compared with 71.7% the preceding week, 2½% over the low reached on Dec. 23, and the highest point since January, 1932. These prices are now 18% above the level of a year ago.

Cotton Consumption Down

In spite of higher cotton prices, the statistical position shows little improvement. Cotton consumption for December at 348,393 bales is 127,000 bales less than in November and 92,000 bales less than in December last year. Stock in consuming establishments at 1,642,000 bales is 112,000 bales higher.

Wheat shipments rose sharply after the embargo in North Dakota was nullified. According to an AAA release, progress of the campaign to cut spring, bread, and durum wheat indicates that the total wheat area will be reduced 8 million acres, or to practically 13% of the basic average.



U. S. Dept. of Agriculture

GIVING THE FARMER HIS DAILY BREAD—For 10 years a bushel of wheat has purchased only a third to a half of the goods that the farmer was able to buy with it during the parity period—1910-1914. In 1933, wheat prices rose in anticipation of 1934 acreage adjustment. Benefit payments of 28¢ a bushel help to close the gap. It was planned to reduce winter wheat acreage 15%—actual reduction was 7.2%. But total 1934 wheat area is reported 13% lower.

This Business Week

MR. EASTMAN is a good salesman: he tells us that we don't want government ownership and operation of railroads and couldn't pay for them anyhow; a good press agent: he puts public ownership into the headlines by asserting that it is the ultimate solution of the railroad problem. But Mr. Eastman is not an opportunist. He deliberately passed up a chance to put into practice what he regards as sound theory, because the financial risk is too great for the government to take now.

When the government is in better shape financially, the railroads will be better off, too, making it more difficult to show the need for operation by the government. The railroads can argue, with some justice, that Eastman is asking them to do a job which he admits is too big for the government to handle. Eastman refers, however, not to operation but to the cost of taking possession.

This need not be a cash transaction but Eastman realizes that investors to whom the railroads cannot pay their just dues will demand a fixed return if the government issues its securities against the railroad plant. And right there is revealed the fallacy of government ownership. It punches the bag which private capital is holding, but can't take it on the chin.

Says Chairman Dill, of the Senate Interstate Commerce Committee, "It would seem there would be no general railroad legislation at this Congress as, clearly, there has not been ample time to work out plans for a general revision of the railroad structure."

EASTERN railroad presidents are not yet convinced the 2¢ rail rate in the South and West is developing enough travel to offset the cut in revenue per passenger. They have postponed any further consideration of the matter until Mar. 10. The Pullman company is happy about results in the low fare territories; it doubled sales of single occupancy sections in December, first month of the new schedule.

SINGLY and in squads, Congressmen are importuning Secretary Ickes to make allotments for projects back home. The conversation goes something like this: "Mr. Secretary, the Carnation project should have an allotment from PWA." "The money is all gone." "If you get more money can you tell me whether it will have your favorable consideration?" "No." "Then why should we vote for any more money?" And they won't, unless the money is earmarked.

ALL this hullaballoo about graft in CWA is a deliberate attempt to discredit it in public opinion and the "declaration of martial law" is intended to capitalize popular distaste for the military, shut out politics, and nip the demand in Congress for perpetuation of the program. Roosevelt's consummate strategy never was better demonstrated.

CONGRESS seems determined to override the President and extend one-half of the benefits of NRA to government workers. It has made no move to prevent unpaid overtime in the overworked and rushed government departments handling the agricultural disbursements. But it does want all of the 15% pay cut restored. The President figured on no restoration till July 1, then only 5%.

CHICAGO department store sales last year were 5.2% better than in 1932, whereas stores in other Midwest cities were off —Detroit by 13.5%, Milwaukee 3.5%, the entire Federal Reserve district, 1.3%. The World's Fair is the ready answer. But not so fast: Marshall Field & Co. showed 16% gain in the last quarter over the corresponding quarter of 1932 —and that wasn't the Fair. John McKinlay, president, reported $97,000 net profit for the year against $8 millions loss in 1932. Gross sales, $88 millions against $78 millions.

VICTORY 1933 was the telephone number of the Century of Progress. And now it comes out that Victory 1934 was reserved 2 months before it opened.

AN ambitious Chicago project is an elevated highway to surround the central business district, with superhighways to the west, northwest, and southwest. Tolls of 10¢ for passenger cars and 25¢ for trucks and buses are contemplated, also fees of 25¢ to 35¢ for parking in 24 downtown parking garages to be built. John Ickes, brother of the Secretary of the Interior, is boosting the plan; wants PWA to loan 30% of the needed $151 millions, tolls to liquidate the loan in 35 years.

THE dash of bitters in post-repeal old fashioneds and Manhattans has brought Mr. Alfredo Siegert in haste from Trinidad to mix another batch of Angostura Bitters—which started as a medicine but became a pleasure. He is one of the seven who have kept the secret of its compounding for more than a century. Only Mr. Siegert and two relatives know the formula, and they travel about preparing the concentrates themselves. It is a family rule that no occasion is of sufficient importance to bring all three together, lest an Act of God deprive the world of their knowledge.

BUSINESS WEEK

The Journal of Business News and Interpretation

FEBRUARY 3, 1934

Fair and Warmer

By deliberate intent, *Business Week* addresses itself solely to men who have to shape the policies of important enterprises—industrial, commercial, or financial. The primary purpose is to inform responsible executives promptly and concisely of news developments which may influence their decisions, and to interpret the meaning of current events to the world of business. Important, but nevertheless secondary, is our desire to offer constructive comment, suggestion, and advice.

We are first of all weather reporters, next weather map readers; only after that do we offer our own opinion that there has been too much rain and that all good men should rally to get it stopped.

Without, then, discussing the merits of the weather, and least of all, the wisdom of efforts to change the climate, we offer a reading of the present map.

Signs are unmistakable that business will improve for the next 6 months. It is likely that most business men would agree with this forecast. But we do not believe most business executives appreciate how great the improvement is likely to be. Barring a calamity beyond the pale of imagination, the upsurge will be startling. It is conceivable, although this is not a prediction, that we may find ourselves temporarily in something like a buyers' panic.

The reasons are obvious enough. There will be an outpouring of federal funds comparable only to the governmental spending that brought on the feverish business activity of the war years. Moreover, the distrust and anxiety over monetary policies has been greatly allayed, some measure of certainty has replaced bewilderment. The banking situation has almost explosive potentialities of credit expansion. There is an entirely new spirit among consumers and producers alike. The stage is set, in short, for government expenditures to have their maximum effect.

How great this outpouring of money will be is not widely appreciated as yet. Our own estimate is that increased purchasing power directly traceable to governmental spending will amount to $77.50 for every man, woman, and child. It will be $387.50 per family—or rather, it will be somewhat less than this for city families, and about $416 for each farm family.

We believe this estimate to be conservative. Anyone else may make his own—the result in any case will be impressive. Our figures include the indisputable items of $867 millions direct payment to farmers; $2\frac{1}{4}$ billions in direct relief through CCC, CWA, and loans to states; $3 billions for Public Works; $1 billion in RFC loans for construction projects not duplicating PWA; and $175 millions for emergency housing, subsistence homesteads, and TVA. Our estimates also include something more than $1\frac{1}{2}$ billion of increased prices on farm products, due to the AAA program. This is an item that may be disputed, but we have tried to stay on the conservative side. Nor have we made any allowance for increased purchasing power due to higher wages, or business improvement generally.

That such disbursements are promptly reflected in business pickup already has been tested and proved. Automobile purchases in 14 agricultural states showed an increase of more than 100% in October over the same month of 1932. Mail order houses dealing with farmers showed 20% gain in December over the same month of 1932.

The moral of all this hardly needs to be stated—but here it is:

The wise business man will so set his sails as to take full advantage of the trade winds. It is a rare opportunity.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: $5.00 a year, U. S. A. and possessions. Foreign 30 shillings Cable code, Mcgrawhill

Publishing Director, Glenn Griswold

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